Semester VI
LTPC
15BAU602 CORE- RETAIL MANAGEMENT 4 1 - 5

Course Outcome

Retail management represents the concepts of retailing, types of retail outlet, merchandise and supply chain management. This paper provides the strategies, ethics in retailing and trends in international retailing.

Course Objectives

- To make the students understand the features of retailing
- To enhance the students knowledge in the theories of retail development
- To enlighten the students knowledge in global retail markets.

UNIT I

Retail - Meaning – Functions and Special Characteristics of Retailer - Types of Retailers – Franchising – The Evolution of retail in India – Retailing as a Career– Consumer Behaviour in Retail Context

UNIT II

Retail Strategies – Retail Location – Site Selection – Merchandise Management – Managing Service and Quality – Strategic planning - Global retail markets: Strategic planning process for global retailing - Factors affecting the Success of a Global Retailing Strategy .

UNIT III

Organization Structure and Human Resource Management in Retail – Retail Store Operations – Financial Aspects of Retail – Retail Marketing and Communication.

UNIT IV

Servicing the Retail Customer – Retail Store Design and Visual Merchandising – Retail Management Information Systems – Supply Chain Management.

UNIT V

IT Applications in Retail – Data Base Marketing – Electronic Retailing – International Retailing Trends – Ethics in Retailing – Competition Commission of India.

TEXT BOOKS

1. Swapna Pradhan. (2014) Retailing Management, Second Edition, The Mc Graw- Hill Companies, New Delhi

REFERENCES

1. Burman barry and Joel Evan. (2006) Retail Management, Macmillan, New Delhi.
2. Geroge H. Lucas, Robert P. Bush, Larry G. Gresham. (2004) Retailing, All India Publishers. New Delhi.
3. Gibson Vedamani. (2009), Retail Management, Second Edition, Jaico Publishers. Mumbai.

KARPAGAM ACADEMY OF HIGHER EDUCATION

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Department: **Management**
Subject Code: 1**5BAU602** Semester: **VI** Year: **2015-18 Batch**
Subject: **Retail Management - Lesson Plan**

UNIT – I			
Sl. No.	**Lecture Duration hrs**	**Topics to be covered**	**Support Materials**
1	I	Retailing : Introduction, Meaning, Definition, Objectives	T: Page No: 01 - 20
2	I	Concept of retail management, Elements of retailing	R1: Page No : 3-5
3	I	Characteristics of retailing	R1: Page No : 5-8
4	I	Challenges in retailing - Increased competition Changing technology	R2: Page No : 17-20
5	I	Functions of retailer	R1: Page No : 21-24
6	I	Types of retailers – Discount Stores, Departmental Stores, Warehouse Stores, Malls, E-Tailers	R1: Page No : 19-21
7	I	Franchising Concept and evaluation Types of franchising	T: Page No : 187 - 202
8	I	Advantages and disadvantages of franchising Franchising in India	T: Page No : 190 - 197
9	I	Evolution of retail in India, Drives of retail changes in India, The size of retail in India	T: Page No : 21 - 59
10	I	Foreign Direct Investment (FDI) in retail	W1
11	I	Theories of retail development, Environmental theory cyclical theory conflict theory	T: Page No : 61 - 97
12	I	Consumer buying behavior – Features	T: Page No : 117 - 135
13	I	Consumer buying behavior, Consumer buying behaviour process	R1: Page No : 41-50
14	I	Factors influencing consumer buying decision making	R1: Page No : 50-54
15	I	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit - I	**15**

UNIT II			
Sl. No.	**Lecture Duration hrs**	**Topics to be covered**	**Support Materials**
1	I	Retail strategy Concept and steps involved in retail strategy	T: Page No : 136 - 147
2	I	International expansion of growth strategy Concept of retail branding	T: Page No : 148 - 154
3	I	Retail location - Site location – concept Types of retail locations	T: Page No : 167 - 186
4	I	Steps involved in choosing retail location	T: Page No : 173 - 177
5	I	Successful retail location strategy	T: Page No : 178 - 185
6	I	Merchandising-Evaluation of merchandising	T: Page No : 205 - 223
7		Factors affecting the merchandising management	T: Page No : 224 - 253
8	I	The merchandiser: roles and responsibilities	T: Page No : 254 - 265 W2 :
9	I	Merchandise planning, Concept, implications Process of merchandise planning	T: Page No : 256 - 259
10	I	Managing service and quality	T: Page No : 260 - 265
11	I	Global retail market – Meaning and challenges	R2: Page No : 56 - 60
12	I	Strategic planning process	R2: Page No : 60 - 62
13	I	Strategic planning process for global retail market	R2: Page No : 63 - 68
14	I	Factors affecting the successful global retailing strategy	W2 :
15	I	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit - II	**15**

UNIT III			
Sl. No	**Lecture Duration hrs**	**Topics to be covered**	**Support Materials**
1	I	Organization structure in retail	T: Page No : 342 - 348
2	I	A conceptual overview of HRM in retail	R2: Page No : 145-150
3	I	HRM functions in retail	W3
4	I	The role of human resource management in retail	R2: Page No : 150-156
5	I	Retail store operations Key roles in retail environment	T: Page No : 350 - 356
6	I	Elements and components of retail operations	T: Page No : 357 - 369

7	I	Financial aspects of retail, The concept of retail economics, The concept of profitability in retail	R1: Page No : 284-288
8	I	Measures of financial performance Strategic profit model	R1: Page No : 288-292
9	I	The concept of retail marketing mix	T: Page No : 299-302
10	I	The role of marketing mix in detail	T: Page No : 302-307
11	I	STP Approach: Segmentation, targeting, positioning of retail store	T: Page No : 421 - 425
12	I	The retail communication mix	T: Page No : 426 - 434
13	I	The role of POP in retail	T: Page No : 317-318
14	I	The relevance of integrated marketing communication in retail	T: Page No : 435 - 437
15	I	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit - III	**15**
UNIT IV			
Sl. No.	**Lecture Duration hrs**	**Topics to be covered**	**Support Materials**
1	I	Servicing the Retail Customer, Importance of service in retail, Principles of service in retail	T: Page No : 396 - 414
2	I	Measuring gaps in service The purchaser – purveyor loyalty matrix	T: Page No : 400 - 404
3	I	CRM- Customer relationship management in retail	T: Page No : 404 - 407 W4 :
4	I	Store design and store image, Concept and importance	T: Page No : 408 - 410
5	I	The components of Exterior store design Interior store design	T: Page No : 411 - 412
6	I	Stores layout, Types of layout Factors affecting layout selection	T: Page No : 412 - 414
7	I	Visual merchandising and display Functions of display, Principles of display	R2: Page No : 380-382
8	I	Display formats	R2: Page No : 382-384
9	I	Unique needs of technology in retail Importance of information technology in retail	T: Page No : 450 - 451
10	I	Factors affecting the use of technology Applications of technology in retail	T: Page No : 452 - 459
11	I	Supply chain management Concept, need, Importance of supply chain	T: Page No : 463 - 491

		management in retail	
12	I	Evolution of supply chain management	T: Page No : 467 - 470
13	I	Innovations in supply chain management	T: Page No : 471 - 475
14	I	Concept of Retail logistics Reverse logistics	T: Page No : 476 - 487
15	I	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit - IV	**15**
UNIT V			
Sl. No.	**Lecture Duration hrs**	**Topics to be covered**	**Support Materials**
1	I	IT Applications in retail Meaning, success factors in retailing	R3: Page No : 115- 110
2	I	Role of IT in retail industry	R3: Page No : 111
3	I	Data base marketing Meaning, sources of data	R3: Page No :112-118
4	I	Growth and Evolution of data base marketing	R3: Page No :119-121
5	I	Advantages and disadvantages of data base marketing	W5
6	I	Electronic retailing Meaning concepts importance	R3: Page No : 124-125
7	I	Benefits of e retailing	R3: Page No :125-126
8	I	Parties involved in electronic retailing	R3: Page No : 126-130
9	I	Growth of e-Retailing in India	R3: Page No : 135-137
10	I	International retailing - Meaning, sources, success factors and trends	R3: Page No : 138-140 W6
11	I	Ethics in retailing, Issues about ethics in retailing Competition Commission of India	T: Page No : 292-295
12	I	Recapitulation and discussion of important questions	-
		Total no. of hours planned for unit - V	**12**
13	I	Discussion of previous ESE question papers	1
14	I	Discussion of previous ESE question papers	1
15	I	Discussion of previous ESE question papers	1
		Total no. of hours planned for unit – V and Previous ESE question paper discussion	**15**

SUGGESTED READINGS:

TEXT BOOK :

1. T: Swapna pradhan, (2014), Retailing Management, Third Edition, The Mc Graw – Hill companies.

REFERECE BOOKS :

1. R1: M.K,Jain ,(2013) Retail Management, Second Edition, Tata MC Graw Hill Publications.
2. R2: George H. Lucas, Robert P.Bush, Larry G. Gresham (2012) Retailing, Third Edition , All India publishers.
3. R3 : Ajeet Khurana (2014) Information Technogy for retailing, Third Edition, Tata Mc Graw Hill publications,New Delhi

WEBSITES :

1. W1: https://en.wikipedia.org/wiki/Retailing_in_India
2. W2: www.scribd.com
3. W3: www.business-standard.com
4. W4: www.academia.edu.com
5. W5: www.arubanetworks.com
6. W6: www.slideshare.net/nethanp/role-of-it-in-retail-industry

Unit I – Introduction to Retail Management

Retail – Meaning – Functions and Special Characteristics of Retailer – Types of Retailers – Franchising – The Evolution of retail in India – Retailing as a Career – Consumer Behaviour in Retail Context.

INTRODUCTION (RETAIL)

Retail is the sale of goods and services from individuals or businesses to the end-user called the customer. Retailers are the integral part of a system called the supply chain which carries goods from the producer to the target market. A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesale, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations like stores or markets, door-to-door or by delivery. Retailing is the process that the retailer adopts in selling the products including subordinated services, such as delivery and installation. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a public. Shops may be in residential streets or in a shopping mall.. Sometimes a shopping street has a partial or full roof to protect customers from precipitation. Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing.

Shopping generally refers to the act of buying products by a consumer. Sometimes this is done to obtain necessities such as food, clothing and other daily necessities; sometimes it is done as a recreational/ social activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing and does not always result in a purchase.

Retail comes from the Old French word tailler, which means "to cut off, clip, pare, divide" in terms of tailoring (1365) and prefix with re and the verb tailor meaning "to cut again". It was first recorded as a noun with the meaning of a "sale in small quantities" in 1433 (from the Middle French retail, "piece cut off, shred, scrap, paring"). Like in French, the word retail in both Dutch and German also refers to the sale of small quantities of items.. Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is also 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.

Manufacturers engage in retailing when they make direct-to-consumer sales of their products through their own stores (as Bata and Carona shoe company, D.C.M. Stores, Mafatlals and Bombay Dyeing) by door-to-door canvass, or mail order or even on telephone. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling.

A retailer is a merchant or occasionally an agent or a business enterprise, whose main business is selling directly to ultimate consumers for non-business use. He performs many marketing activities such as buying, selling, grading, risk-trading, and developing information about customer's wants. A retailer may sell infrequently to industrial users, but these are wholesale transactions, not retail sales. If over one half of the amount of volume of business comes from sales to ultimate consumers, i.e. sales at retail, he is classified as a retailer. Retailing occurs in all marketing channels for consumer products.

The distribution of products begins with the producer and ends at the ultimate consumer. Between the producer and consumer there is a middle man – who is retailer. Who links the producer and ultimate consumers. The word 'retail' is derived from the French word retailer which means ' to cut a piece off' or to break bulk. India has often been called a nation of shopkeepers. Presumably the reason for this is; that, a large number of retail enterprises exist in India. In 2004, there were 12 million such units of which 98% are small family businesses, utilizing only household labour. Even among retail enterprises, which employ hired workers, a majority of them use less than three workers.

DEFINITION OF RETAILER

The word retailer has been derived from the French word "Retail" which means to sell in small quantities, rather than in gross. A retailer is a person who purchases a variety of goods in small quantities from different wholesalers and sells them to the ultimate consumer. He is the last link in the chain of distribution from the producer to the consumer.

CHARACTERISTICS

The followings are some of the essential characteristics of a retailer:

- He is regarded as the last link in the chain of distribution.
- He purchases goods in large quantities from the wholesaler and sell in small quantity to the consumer.
- He deals in general products or a variety of merchandise.

- He develops personal contact with the consumer.
- He aims at providing maximum satisfaction to the consumer.
- He has a limited area in the market.

IMPORTANCE OF RETAILING

International trade and commerce has existed for centuries and played a very important part in the World History. However International Retailing has been in existence and has gained ground in the past two to three decades. The economic boom in several countries, coupled with globalization has given way to Organisations looking at setting up retailing across borders. The advent of internet and multimedia has further changed the dimensions as far as Retailing is concerned. The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an important connecting link in a complex mechanism of marketing. Though producers may sell directly to consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist in the line. Therefore, frequently the manufacturers depend on the retailers to sell their products to the ultimate consumers. The retailer, who is able to provide appropriate amenities without an excessive advance in prices of goods, is rewarded by larger or more loyal patronage.

CHALLENGES TO RETAILING

The retail sector faces lot of challenges in its operations in all most all parts of the world. To achieve and maintain a foothold in an existing market for success, 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;
  - ❖ Restrictions imposed on scope of operations (e.g., multi-brand vs. single brand retailing);
  - ❖ Unfavorable taxation structures, especially those designed to penalize or keep out "big box" retailers;
  - ❖ Absence of developed supply chain and integrated IT management system;
  - ❖ 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
  - ❖ Lack of educational infrastructure enabling prospective market entrants to respond to the above challenges.

FUNCTIONS OF A RETAILER

1. Buying:

A retailer buys a wide variety of goods from different wholesalers after estimating customer demand. He selects the best merchandise from each wholesaler and brings all the goods under one roof. In this way, he performs the twin functions of buying and assembling of goods.

2. Storage:

A retailer maintains a ready stock of goods and displays them in his shop.

3. Selling: The retailer sells goods in small quantities according to the demand and choice of consumers. He employs efficient methods of selling to increase his sales turnover.

4. Grading and Packing:

The retailer grades the goods which are not graded by manufacturers and wholesalers. He packs goods in small lots for the convenience of consumers.

5. Risk-bearing:

A retailer always keeps stock of goods in anticipation of demand. He bears the risk of loss due to fire, theft, spoilage, price fluctuations, etc.

6. Transportation:

Retailers often carry goods from wholesalers and manufacturers to their shops.

7. Financing:

Some retailers grant credit to customers and provide the facility of return or exchange of goods. In some cases, home delivery and after sale service are provided by retailers.

8. Sales promotion:

A retailer displays goods. He carries out publicity through shop decoration, window display, etc. He maintains direct and personal contacts with consumers. He persuades consumers to buy goods through personal selling.

9. Information:

Retailers provide knowledge to consumers about new products and uses of old products. They advise and guide consumers in better choice of goods. They also provide market information to wholesalers and manufacturers.

- The retailer buys a variety of products from the wholesaler or a number of wholesalers. He thus performs two functions like buying of goods and assembling of goods.
- The retailer performs storing function by stocking the goods for a consumer.
- He develops personal contact with the consumers and gives them goods on credit.
- He bears the risks in connection with Physical Spoilage of goods and fall in price. Besides he bears risks on account of fire, theft, deterioration in the quality and spoilage of goods.
- He resorts to standardization and grading of goods in such a way that these are accepted by the customers.
- He makes arrangement for delivery of goods and supply valuable market information to both wholesaler and the consumer.

SERVICE OF A RETAILER

A retailer provides a number of services to the customer and to the wholesaler.

To Customers:

- He provides ready stock of goods and as such he sells and quantity of goods desired by the customers.
- He keeps a large variety of goods produced by different producers and thereby ensures a wide variety of choice to the customers.
- He relives the consumers of maintaining large quantity of goods for future period because he himself holds large stock of goods.
- He develops personal relationship with the customers by giving them credit.
- He provides free-home delivery service to the customers.
- He informs the new product to the customers.
- He makes arrangement for replacement of goods when he receive complaints.

TO WHOLESALER

- He gives valuable market information with regard to taste, fashion and demand for the goods to the wholesaler.

- The retailer maintains direct contact with the customers and so he relieves the wholesaler with regard to maintenance of direct contact.
- He helps the wholesaler in getting their goods distributed to the consumer.
- He is regarded as an important link between the wholesaler and the consumer.
- He creates demand for the products by displaying the goods to the consumers.

MAJOR TYPES OF RETAIL STORES

In-Store Retailing	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.	

i) Department Stores

Department stores are very large stores offering a huge assortment of “soft” and “hard” goods; often bear a resemblance to a collection of specialty stores. A retailer of such store carries variety of categories and has broad assortment at average price. They offer considerable customer service. These are large scale retail stores selling their products under one roof and offer 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 variety of merchandise under one roof which are 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 stores;

(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, which is not always the case. The operations of certain departments are sometimes turned over to leases and such departments are called leased departments.

Features of Department Stores The chief features of these stores are:

(i) These are integrated stores performing operations in addition to other retail stores such as wholesaling.

(ii) Goods are divided into different classes with different locations and management within the store itself.

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

Department business organizations are not free from abuses. There are certain specific limitations from which such institutions suffer such as:

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'.

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.

ii) Super Markets

Supermarkets: is a self-service store consisting mainly of grocery and limited products on non food items. They may adopt a Hi-Lo or an EDLP strategy for pricing. The supermarkets can be anywhere between 20,000 and 40,000 square feet (3,700 m2). Example: SPAR supermarket. 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 departmentalised 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.'

FEATURES OF SUPER MARKETS

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.

v. 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 can not 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.

iii) Discount Houses

Discount stores tend to offer a wide array of products and services, but they compete mainly on price offers extensive assortment of merchandise at affordable and cut-rate prices. Normally retailers sell less fashion-oriented brands. 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, 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 service. 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.

iv) 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.

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.

iv. With addition of each new store, the system extends the reach to another group of customers.

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.

Ability to spread risks. Unlike the department store the principle here is not to "lay all the eggs in one basket". By trail 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 organisation, 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.

OTHER TYPES OF STORES

- **Warehouse stores** - warehouses that offer low-cost, often high-quantity goods piled on pallets or steel shelves; warehouse clubs charge a membership fee;
- **Variety stores** - these offer extremely low-cost goods, with limited selection;
- **Demographic Stores** - retailers that aim at one particular segment (e.g., high-end retailers focusing on wealthy individuals).
- **Mom-And-Pop Stores** - is a retail outlet that is owned and operated by individuals. The range of products are very selective and few in numbers. These stores are seen in local

community often are family-run businesses. The square feet area of the store depends on the store holder.

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.

FRANCHISING

Franchising is the practice of leasing for a prescribed period of time the right to use a firm's successful business model and brand. The word "franchise" is of Anglo-French derivation—from franc, meaning free—and is used both as a noun and as a (transitive) verb. For the franchiser, the franchise is an alternative to building "chain stores" to distribute goods that avoids the investments and liability of a chain. The franchisor's success depends on the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

Essentially, and in terms of distribution, the franchisor is a supplier who allows an operator, or a franchisee, to use the supplier's trademark and distribute the supplier's goods. In return, the operator pays the supplier a fee.

DEFINITION

Arrangement where one party (the franchiser) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications. The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains

(1) Immediate name recognition

(2) Tried and tested products

(3) Standard building design and décor

(4) Detailed techniques in running and promoting the business

(5) Training of employees and

(6) Ongoing help in promoting and upgrading of the products. The franchiser gains rapid expansion of business and earnings at minimum capital outlay.

ADVANTAGES

- A franchise provides franchisees with a certain level of independence where they can operate their business.
- A franchise provides an established product or service which may already enjoy widespread brand-name recognition. This gives the franchisee the benefits of a pre-sold customer base which would ordinarily take years to establish.
- A franchise increases your chances of business success because you are associating with proven products and methods.

- Franchises may offer consumers the attraction of a certain level of quality and consistency because it is mandated by the franchise agreement

FRANCHISES OFFER IMPORTANT PRE-OPENING SUPPORT

- Site selection
- design and construction
- financing
- training
- grand-opening program

FRANCHISES OFFER ONGOING SUPPORT

- Training
- national and regional advertising
- operating procedures and operational assistance
- ongoing supervision and management support

- increased spending power and access to bulk purchasing

DISADVANTAGES

- The franchisee is not completely independent. Franchisees are required to operate their businesses according to the procedures and restrictions set forth by the franchisor in the franchisee agreement.
- These restrictions usually include the products or services which can be offered, pricing and geographic territory. For some people, this is the most serious disadvantage to becoming a franchisee.
- In addition to the initial franchise fee, franchisees must pay ongoing royalties and advertising fees.
- Franchisees must be careful to balance restrictions and support provided by the franchisor with their own ability to manage their business.
- A damaged, system-wide image can result if other franchisees are performing poorly or the franchisor runs into an unforeseen problem.
- The term (duration) of a franchise agreement is usually limited and the franchisee may have little or no say about the terms of a termination.

THE EVOLUTION OF RETAIL IN INDIA

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US$ 500 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people.

GROWTH OVER 1997-2010

India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval. The approval requirement was relaxed, and automatic permission was granted in 2006. Between 2000 to 2010, Indian retail attracted about $1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. Some claim one of the primary restraints inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51%. China in contrast allows 100% ownership by foreign companies in both single brand and multi-brand retail presence.

Indian retail has experienced limited growth, and its spoilage of food harvest is amongst the highest in the world, because of very limited integrated cold-chain and other infrastructure. India has only 5386 stand-alone cold storages, having a total capacity of 23.6 million metric tons. However, 80 percent of this storage is used only for potatoes. The remaining infrastructure capacity is less than 1% of the annual farm output of India, and grossly inadequate during peak harvest seasons. This leads to about 30% losses in certain perishable agricultural output in India, on average, every year.

Indian laws already allow foreign direct investment in cold-chain infrastructure to the extent of 100 percent. There has been no interest in foreign direct investment in cold storage infrastructure build out. Experts claim that cold storage infrastructure will become economically viable only when there is strong and contractually binding demand from organized retail. The risk of cold storing perishable food, without an assured way to move and sell it, puts the economic viability of expensive cold storage in doubt. In the absence of organized retail competition and with a ban on foreign direct investment in multi-brand retailers, foreign direct investments are unlikely to begin in cold storage and farm logistics infrastructure.

Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realize only 1/3rd of the total price paid by the final Indian consumer, as against 2/3rd by farmers in nations with a higher share of organized retail. The 60%+ margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry.

India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. For example, in an invited address to the Indian parliament in December 2010, Jagdish Bhagwati, Professor of Economics and Law at the Columbia University analysed the relationship between growth and poverty reduction, then urged the Indian parliament to extend economic reforms by freeing up of the retail sector, further liberalization of trade in all sectors, and introducing labor market reforms. Such reforms Professor Bhagwati argued will accelerate economic growth and make a sustainable difference in the life of India's poorest.

A 2007 report noted that an increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent.

The Retail Business in India is currently at the point of inflection. As of 2008, rapid changes with investments to the tune of US$25 billion were being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to India Brand Equity Foundation (IBEF), it is valued at about US$395.96 billion. Organised retail is expected to garner about 16-18 percent of the total retail market (US$65–75 billion) in the next 5 years.

India has topped the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 8% for 2007. The prediction for 2008 is 7.9%. The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.

GROWTH AFTER 2011

Before 2011, India had prevented innovation and organized competition in its consumer retail industry. Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Furthermore, because of unorganized retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoils because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the consumer.,

One report estimates the 2011 Indian retail market as generating sales of about $470 billion a year, of which a minuscule $27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy. Others believe the growth of Indian retail industry will take time, with organized retail possibly needing a decade to grow to a 25% share.[32] A 25% market share, given the expected growth of Indian retail industry through 2021, is estimated to be over $250 billion a year: a revenue equal to the 2009 revenue share from Japan for the world's 250 largest retailers.

The Economist forecasts that Indian retail will nearly double in economic value, expanding by about $400 billion by 2020. The projected increase alone is equivalent to the current retail market size of France.

In 2011, food accounted for 70% of Indian retail, but was under-represented by organized retail. A.T. Kearney estimates India's organized retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% to 30% per year. These data correspond to retail prospects prior to November announcement of the retail reform.

It might be true that India has the largest number of shops per inhabitant. However there are detailed figures for Belgium, the Netherlands and Luxemburg. In Belgium, the number of outlets is approximately 8 per 1,000 and in the Netherlands it is 6. So the Indian number must be far higher.

Indian market has high complexities in terms of a wide geographic spread and distinct consumer preferences varying by each region necessitating a need for localization even within the geographic zones. India has highest number of outlets per person (7 per thousand) Indian retail space per capita at 2 sq ft (0.19 m^2)/ person is lowest in the world Indian retail density of 6 percent is highest in the world. 1.8 million households in India have an annual income of over ₹ 4.5 million (US$72,900.00).

While India presents a large market opportunity given the number and increasing purchasing power of consumers, there are significant challenges as well given that over 90% of trade is conducted through independent local stores. Challenges include: Geographically dispersed population, small ticket sizes, complex distribution network, little use of IT systems, limitations of mass media and existence of counterfeit goods.

A number of merger and acquisitions have begun in Indian retail market. PWC estimates the multi-brand retail market to grow to $220 billion by 2020.McKinsey study claims retail productivity in India is very low compared to international peer measures. For example, the labor productivity in Indian retail was just 6% of the labor productivity in United States in 2010. India's labor productivity in food retailing is about 5% compared to Brazil's 14%; while India's labor productivity in non-food retailing is about 8% compared to Poland's 25%.

Total retail employment in India, both organized and unorganized, account for about 6% of Indian labor work force currently - most of which is unorganized. This about a third of levels in United States and Europe; and about half of levels in other emerging economies. A complete expansion of retail sector to levels and productivity similar to other emerging economies and developed economies such as the United States would create over 50 million jobs in India. Training and development of labor and management for higher retail productivity is expected to be a challenge.

In November 2011, the Indian government announced relaxation of some rules and the opening of retail market to competition.

INDIA RETAIL REFORMS

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers.

The government of Manmohan Singh, prime minister, announced on 24 November 2011 the following:

India will allow foreign groups to own up to 51 per cent in "multi-brand retailers", as supermarkets are known in India, in the most radical pro-liberalization reform passed by an Indian cabinet in years;

- single brand retailers, such as Apple and Ikea, can own 100 percent of their Indian stores, up from the previous cap of 51 percent;
- both multi-brand and single brand stores in India will have to source nearly a third of their goods from small and medium-sized Indian suppliers;
- All multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is

expected that these stores will now have full access to over 200 million urban consumers in India;

- Multi-brand retailers must have a minimum investment of US$100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing to considerably reduce the post harvest losses and bring remunerative prices to farmers;
- The opening of retail competition will be within India's federal structure of government. In other words, the policy is an enabling legal framework for India. The states of India have the prerogative to accept it and implement it, or they can decide to not implement it if they so choose. Actual implementation of policy will be within the parameters of state laws and regulations.
- The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure.

THEORIES OF RETAIL DEVELOPMENT

Retail development can also be looked at from the theoretical perspective. No single theory can be universally applicable or acceptable. The application of each theory varies from market to market, depending on the level of maturity and the socio-economic conditions in that market. The theories developed to explain the process of retail development revolve around the importance of competitive pressures, the investments in organizational capabilities and the creation of a sustainable competitive advantage, which requires the implementation of strategic planning by retail organizations Growth in retail is a result of understand in market signals and responding, to the opportunities that arise in a dynamic manner. Theories 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 and phases can have definite identifiable attributes associated with them. 3.Conflictual- where the competition or conflict between two opposite types of retailers, leads to a new format being developed.

ENVIRONMENTAL THEORY

Darwin's the natural selection has been popularized by the phrase "survival 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 state 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 enterprises is many a times ""attributed to the business environment. For example, the decline of department stores in the? Western markets are attributed to the general inability of those retailers to react quickly and positively to environmental change.

CYCLICAL THEORY

The most well known theory of retail evolution is The Wheel of Retailing theory. This theory, described by McNair II, 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 businesses, 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

CONFLICT THEORY

Conflict always exists between operators of similar formats or within broad retail categories. It is believed that retail innovation does not necessarily reduce the number of formats available to the consumer; instead, it 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.

CONSUMER BEHAVIOUR

In retail marketing sector, marketers are keen to know the consumers shopping behaviour, which involves an understanding of decision variables like when where, and what to shop. These decisions variables are the factors to be considered by the retailer.

According to the consumer needs the retailer's evolve the best possible mix to attract the target consumer. The shopper's response to retail marketing mix has an impact on the firm's success in the long run. Individual consumers consider each element of retail marketing mix in relation to their culture, attitude, previous learning and personal experiences. The consumer is influenced intrinsically by his/her needs, motives, perceptions, and attitudes and extrinsically such as family social class the culture and economic factors which affect his behaviour. These elements would help the retailers to place their retail marketing mix with their respective target segments.

It is important to know what and from where the shoppers shop and the reasons that prompt their shopping behaviour. Consumers buy products. Successful products are those that provide the tangible or intangible features necessary to realize the consumer's expectations of benefits.

FACTORS AFFECTING CONSUMER DECISION MAKING PROCESS

A consumer's purchase decision tends to be affected by these four factors:

1. Demographic factors

Demographic factors are unique to a person. It involves identification of who is responsible for the decision making or buying and who is the ultimate consumer. All stores have focused themselves on respective segments based on factors such as age, income family size, gender, occupation, etc. For example a designer store of garments is usually located in an up market shopping center or Mall. If this is in a low-income group residential area the store will not be viable.

2. Psychological Factors

Psychological Factors refer to the inner aspects of an individual. An understanding of consumer's psychology guides the retailer's segmentation strategy. Consumers respond differently towards the same retail marketing due to their respective motives, personality, level of involvement and attitude.

3. Motives

Motivation is prerequisite for any action this includes buying. It stimulates the need. If you have a headache buying a medicine is a motivation. The need to have the latest fashion in clothes, mobile phones etc. is also a motivation.

4. Perception

Perception is the process by which consumers attach meaning to incoming stimuli by forming mental pictures of persons, places and objects. Stimulus reception is accomplished through the five senses that is sight, sound, taste, touch and smell. The consumer feels that what he/she sees (hear, feel, taste and smell) is what they get.

5. Learning

Learning is the process of acquiring knowledge through past experiences. If you visit a store and the treatment you receive will be the criteria for repeat visits to the store. If the experience with the sales team was good then you may visit the store even if it is slightly more expensive than the store where the service was bad. Free sampling/trials etc. are also ways of making the consumer learn about a product and its attributes. If the customer sees, hears, feels, tastes or smells a product he/she learns more about the product and its attributes. A retailer must encourage a consumer to touch and feel the product so that his visit could turn into a buying experience. By offering customer satisfaction the retailer can be rest assured of having a loyal customer which is easy to retail than to generate a new customer.

6. Attitude

People use their attitude to pass judgment whether is it good or bad, right or wrong. If a customer feels that a store is expensive he/she will avoid going to the store. Reliability, stability, responsibility, dependability and credibility are the all strong messages that a retailer is required to project. Emotions are extremely important as this drives buying.

Behavioral traits like: Workaholic, Impulsive, Self confident, Friendliness, Adaptability, Ambitious, Introversion, Extroversion Can be used as measure to represent consumer buying behaviour.

7. Environmental Factors Environmental factors are both physical and social factors. This includes physical objects (goods and outlets), spatial relationship (location of shopping center and merchandising stores) and social factors (reference groups and opinion leaders). The environmental factors influence consumer wants, learning, motives etc. which in turn influence affective and cognitive responses and therefore shopping behaviour of the individual.

8. Social Class

Social class is referred to as the classification of members of society into a hierarchy of distinct status and class. Social class is measured by variables such as education, occupation, wealth, and ownership of assets. Market research has established a link between social class and consumer attitudes concerning shopping behaviour.

Middle class and higher sections of society prefer to shop for grocery items once a month from a particular shop. They usually prefer stores offering variety and range of choice.
Lower sections of society usually purchase on a daily basis. They are also not particular about the shop they purchase from. Social status of an individual plays an important role even in determining the frequency of purchase. Majority of the middle class consumers prefer to buy vegetables in the morning for their freshness despite the prices being on the higher side, on the contrary the lower end sections of the society prefer to buy at dark to get benefit of low prices.

9. Lifestyle

Lifestyle refers to an individual's way/style of living as determined by his/her activities, interests and opinions. Lifestyle is considered to be highly correlated with consumers values and personality traits. Individuals lifestyles is influenced by the social group he belongs to and his occupation or e.g., double income no-kids (DINKS) families in metros regularly shop at super malls because of limited time at their disposal and they also look for entertainment while shopping on weekends. Besides they are heavy spenders when compared to families with single income.

POSSIBLE QUESTIONS : UNIT – I

PART - B

1. Explain the functions of retailers in detail?
2. “Retailing as a career” – Discuss
3. Elaborate the types of retailers with suitable examples.
4. Define franchising and discuss its merits and demerits?
5. Enumerate the retail life cycle with suitable chart?
6. Elaborate the various types of retail formats with suitable examples?
7. Elaborate the functions and services of retailers?
8. Describe the types of departmental stores with merits and demerits?
9. Explain the theories of retail development?
10. Describe the importance and challenges in retail industry?

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**
****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

Unit II - Retail Strategies

Retail Strategies – Retail Location – Site Selection – Merchandise Management – Managing Service and Quality – Strategic Planning – Global retail Markets : Strategic Planning Process for global retailing – Factors affecting the Success of a Global Retailing Strategy.

RETAIL STRATEGY

It is more important to do what is strategically right than what is immediately profitable (Kotler on 'Winning markets: Market-oriented Strategic Planning'). This section is trying to answer how a retailer will win in a competitive market place. Hence formulation of strategy is imperative taking into consideration the commitment to creating and retaining satisfied customers.

Retail strategy is a marketing plan that details how a business intends to offer its products or services to consumers and influence their purchases. For example, a typical retail strategy might illustrate how best to place and display a company's products in retail outlets and how to attract optimal consumer interest at those locations with such things as price discounts, placement, retailer incentives and signs.

The importance of formulating a retail strategy is understood by all small and big retailers. To build a competitive advantage that can be sustained, retailers need to pay special attention to aspects like price, location, merchandise, service and communications. Operations, purchasing/ logistics, market research, financing and technology, which determine the strategic positioning of the firm are also equally important.

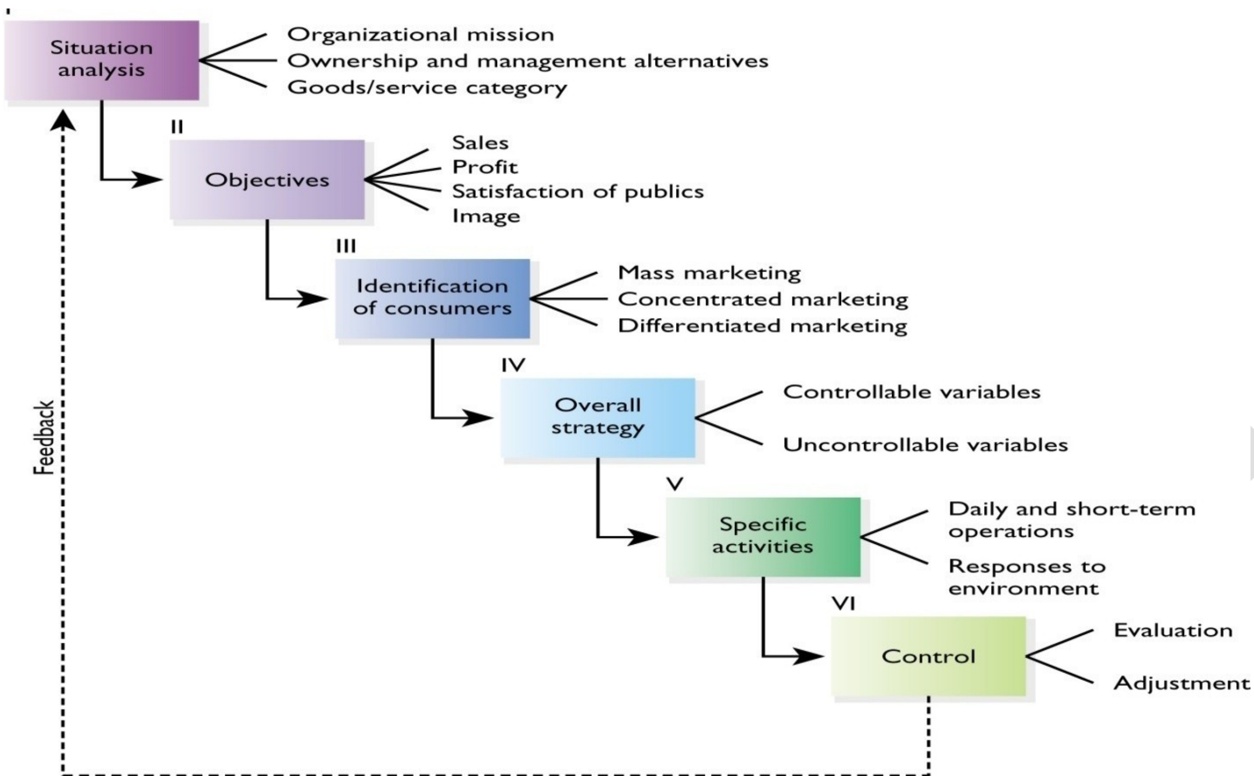
FUNCTION OF A STRATEGY

The primary purpose of a strategy is to provide a method, route, way or channel with the clean direction to follow in managing a business over the planning period.

A successful strategy should satisfy three requirements.

- First, a strategy must help to achieve coordination among various functional areas to the organisation.
- Second, strategy must clearly define how resources are to be allocated. At any level of the organisation, resources are limited. Strategy entails allocating resources to achieve the goals set within the time frame.
- Third strategy must show how it can lead to a superior market position. A good strategy takes cognizance of existing and potential competitors and their strengths and weaknesses.
- **THE IMPORTANCE OF DEVELOPING AND APPLYING A RETAIL STRATEGY**
- A retail strategy is the overall plan guiding a retail firm. It influences the firm's business
- activities and its response to market forces, such as competition and the economy. Any retailer,
- regardless of size or type, should utilize these six steps in strategic planning:
- 1. Define the type of business in terms of the goods or service category and the company'specific orientation (such as full service or "no frills").
- 2. Set long-run and short-run objectives for sales and profit, market share, image, and so on.
- 3. Determine the customer market to target on the basis of its characteristics (such as
- gender and income level) and needs (such as product and brand preferences).
- 4. Devise an overall, long-run plan that gives general direction to the firm and its employees.
- 5. Implement an integrated strategy that combines such factors as store location, product
- assortment, pricing, and advertising and displays to achieve objectives.
- 6. Evaluate performance regularly and correct weaknesses or problems when observed.

ELEMENTS OF A RETAIL STRATEGY



BENEFITS OF RETAILING STRATEGY

- Provides thorough analysis of the requirements for doing business for different types of retailers
- Outlines retailer goals
- Allows retailer to determine how to differentiate itself from competitors
- Allows retailer to develop an offering that appeals to a group of customers
- Offers an analysis of the legal, economic, and competitive environment

RETAILING STRATEGY AND LOCATION

A retailer should first begin with a mission statement. This helps retailer, its employees, and its customers understand the purpose of the business. The core concepts and culture that come from a mission statement flow from the choice of the strategies selected in an attempt to achieve a competitive advantage. Location may be the primary strategy selected, or it may be merchandise, pride, service, or communication. Whatever strategy is emphasized, location is a critical variable.

Owners or managers who wish to emphasize merchandise quality will require an entirely different location than managers of a low-margin discount house. Just as the strategy and objectives of a retailer are integral to the location decision process, so is the importance of market research. The use of marketing research criteria in deciding on a location depends on what type of information or answer is needed, from the research time and cost factors, and the importance of the decision in the overall strategy.

RETAIL STORE LOCATION

Strophe is place real or virtual, where the shopper comes to buy goods and services. The sales transaction occurs at this junction. The location of retail store is considered very important in retailing.

Retailers desire to set up their outlets in the best possible locations. The optimum store location for a retailer is based on many factors like the type of industry, the product category being sold, and the degree of competition. Retail stores are located where the opportunities offered by the market are at a maximum.

The choice of location is the most vital aspect for any business that relies on customers of which retailing is the classic example. Deciding on location is the most complex of the decisions to be taken by a retailer. Firstly the costs are very high and once a location has been selected there is very little flexibility. Choosing a wrong location can lead to losses and even closure of the store. This makes the selection of the appropriate location the most critical aspect of retailing. Retailers usually go through four step process to select a store location:

a) Analyzing alternate trade areas;

b) Determining the most beneficial type of location;

c) Selecting a general site and;

d) Selecting a specific site.

IMPORTANCE OF STORE LOCATION

Most of the retailers are selling from retail store space. Some of these retailers are very small single-store operators, and some are huge superstore discounters. Each location selected resulted from an effort to satisfy the needs of the particular market each was designed to serve. Many factors together like, customer's need for convenience, their desire to do comparison-shopping, and the extent of the purchasing power in a market area, of the transportation facilities available etc. led to the development of different kinds of retail locations. There is an old saying that three things determine the value of real estate: location, location, and location. Nowhere is that more the case than with stores.

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

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

FACTORS OF RETAIL LOCATION

The importance of location decisions is high due to the following factors:

1) Location choice is a major cost factor.

2) It involves large capital investment (the high cost of land or building if it is being purchased of recurring cost of rent if it is leased).

3) It affects the transportation cost structure (Distance from the manufacturer, distributor etc. affects the total cost of transportation).

4) It has a significant bearing on human resources cost (if the retail store is located away from central locations i.e. areas where public transport is weak the cost of employees will be higher as employees will have to be provided with transportation or paid for transport).

5) It is dependable on the quantum of customer traffic (depending on the number of consumers who frequent the area).

6) It affects the volume of business (if the number of customers visiting the store are low then the volume of business done by the retail store is obviously affected)

1. Population and Potential Customer

Before, choosing a location for the retail store, survey the area thoroughly before making a final decision. Read local newspapers and interact with other small businesses in the area. Details about location demographics such as information on the area's population, income and age are to be obtained. Once obtained customers are known, then find a location where customers reside, work and shop.

2. Accessibility, Visibility and Traffic

Retailers want to be located where there are many shoppers but only if that shopper meets the definition of their target market. Small retail stores may benefit from the traffic of nearby larger stores. However, following factors are to be considered in connection with accessibility, visibility and traffic:

- How many people walk or drive past the location?
- Is the area served by public transportation?
- Can customers and delivery trucks easily get in and out of the parking lot?
- Is there adequate parking facility?
- Depending on the type of business, it would be wise to have somewhere between 5 to 8 parking spaces per 1,000 square feet of retail space.

When considering visibility, the location should be examined from the customer's view point. Can the store be seen from the main flow of traffic? Will the signage be easily noticed? In many cases, a retail outlet having better visibility requires less advertising. A specialty retail store located out of town in a free standing building will need more marketing than a shopping store located in a mall.

3. Signage, Zoning and Planning

Prior to signing a lease, all the rules, policies and procedures related to retail store location should be well understood. Local authority for information on regulations regarding signage and whether there is any restriction that may affect retail operation or any future planning that could change traffic, such as highway construction etc. should be ensured.

4. Competition and Neighbors

Other businesses in the prospective location can actually help or hurt one's retail shop. Therefore ensure whether the types of businesses nearby are compatible with your store or not. For example, a high-end fashion boutique may not be successful next door to a discount variety store. It should be place next to a hair salon and it may do much more business.

5. Location Costs

Besides the base rent, consider all costs involved when choosing a retail store location.

1 Who pays for lawn and building maintenance, utilities and security?

2 Who pays for the upkeep and repair of the air-conditioning?

1 If the location is remote, how much additional marketing will it take for customers to find

2 you? How much is the average utility bill?

3 Will you need to make any repairs or remodeling to have the location fit your needs?

4 Will the retailer be responsible for property taxes?

The location you can afford now and what you can afford in the future always varies. It is difficult to create sales projects on a new business, but one way to get help in determining how much rent you can pay is to find out what sales similar retail businesses are making and how much rent they are paying.

6. Personal Factors

Before planning to work in one's store, one must think about one's personality, the distance from the shop to home and other personal considerations. (If he spends much of his time travelling to and from work, the commute may overshadow the exhilaration of being his own boss). Also, many restrictions placed on a tenant by a landlord, Management Company or community can hamper a retailer's independence.

7. Special Considerations

Retail shop requires special considerations. Therefore, make a list of any unique characteristic of your business that may need to be addressed.

1 Will the store require special lighting, fixtures or other hardware installed?

2 Are restrooms for staff and customers available?

3 Is there adequate fire and security protection for the area?

4 Is there sanitation service available?

5 Does the parking lot and building exterior have adequate lighting?

6 Does the building provides shelter if raining?

7 Are there restrictions on Sunday sales?

TYPES OF RETAIL LOCATIONS

The types of retail locations can be classified as follows:

- **Isolated Stores**

These store have typically no other retail store in the close vicinity. Their location depends on their pulling power of customers. The advantages of isolated stores are that there is no competition, the rentals are low as it is not a commercial area, further it will be able to have better visibility than other stores, constantly upgrade its facilities as per the requirement.

- **Unplanned Markets**

Unplanned markets are basically the markets that come up with no systematic planning for example the markets in the older part of the cities or where planned markets over the time have become unplanned markets due to poor municipal lades and unplanned growth of the markets. Here you also find that there are multiple stores selling the same products. The advantages of unplanned markets for the retailer are that the rentals are very low, good access to public transport and availability of a variety of goods for the consumer.

- **Planned Markets**

The planned markets on the other hand are the shopping complexes, the Malls Etc The advantages of planned markets are that there is a well-rounded assortment of stores making it a one stop shopping experience for the entire family. The malls have very large anchor stores which are either departmental stores or stores which have the crowd pulling capacity. Further in these malls you have a variety of stores, restaurants and services offered. There is high pedestrian traffic in these markets and all the retailers in the market share the costs like lighting up of the market for festivals or running of joint promotions to promote the market, which in malls is also supported by mall management.

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, is 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.

Merchandising traces its growth to the rise of organized retail in the world. Initially, as the retailers operated only one or two stores, the function of buying the merchandise, pricing it, etc., were much simpler. In many cases, the retailer did it himself. However, as retailers started adding stores and categories, the workload on the buyers increased significantly.

Often, buyers had little information or time and they ended up using approximations based on sales volumes, to allocate merchandise between stores. This sometimes, resulted in stores exchanging merchandise among them!

In order to overcome this limitation, the function of a planner came into being. The planner's job was to act as a link between the stores and the buyer. The de-linking of the function of planning and buying allowed better interaction with the stores. Planners were able to devote more time to collecting and studying store level data, the buyers on the other hand, were able to spend more time with the vendors.

FACTORS AFFECTING THE MERCHANDISING FUNCTION

Merchandising does not function in isolation. It is affected by various factors, like the organization structure, the size of the retail organization and the merchandise to be carried. As in every retailing endeavor, the most fundamental activities are buying merchandise and re-selling it to its customers. The owner or the manager, who may be assisted by the sales person, may perform the buying function in the case of a single store. As the single store grows in terms of business, it may add departments. Functional departmentalization may occur and the number of persons involved in the buying process may increase.

In the case of a chain store, the buying function may be centralized or decentralized geographically, depending on the retail organization. Thus, the nature of the organizations is an important factor affecting the function of merchandising. The merchandise to be carried by a retailer largely determines responsibilities of the merchandiser. The buying for basic merchandise is fairly different from the buying of fashion merchandise. Basic are those products or items, which their retailer will always keep in stock. This primarily because these products are always in demand and the sales variance is minimal from year to year. Example of basics would be items like white shirts in clothing or items like pulses, oil, etc. Fashion products on the other hand, are products, which may sell very well in one season or year and may not have any demand in the next season.

A merchandiser, who is handling fashion products, will need to spend more time in the market, looking for products, which will suit the needs of the store's consumers. He will also need to be aware of the fashion forecasts and the trends in the international markets. The organization structure that the retail organization adopts also affects the merchandising function.

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, directing, coordinating and controlling.

1. Planning

Though 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 estimation 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. 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.

5. Coordinating

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.

The structure of the merchandise department largely depends on the organization structure adopted by the retail organization. Retail snapshot 6/1 illustrates the function of buying and merchandising at one such retail organization in India – shopper's stop. This organization has identified the trading manager and the buyer as the persons who will look after the merchandising function.

FUNCTIONS OF MERCHANDISERS

- 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.

1 While good merchandise management does not guarantee success, bad merchandise management will almost certainly result in failure.

Merchandise Planning

Retail businesses, like all other businesses, exist with the aim of making a profit. The function revolves around planning and control. Planning is of great importance, because it takes time to buy merchandise, have it delivered, record the delivery in the company's records and then, to send the merchandise to the right stores.

Analysis is the starting point of merchandising planning. The person, who is to take the buying decisions for a retail organization, must be aware of the consumer needs and wants. An understanding of the consumer buying process is necessary. A part from this, a clear understanding is also necessary of what products are actually selling and where. Information on this can be obtained from sale records. An interaction with the sales staff is also needed, as they can offer valuable insights into conducted, magazine and trade publications and trade associations are other sources of information. The information thus gathered needs to be analyzed. This analysis forms the basis of the sales forecast. The first stage in merchandise planning is developing the sales forecast.

I: Process of Planning Sales Forecast

A sales forecast is usually made for a specific time period, this may be weeks or a season or a year. A forecast may be a short term—i.e., up to one year, or a long term—i.e., for a period of more than a year. The person who is to make the forecast for the product group or category, needs to be aware of the changes in the tastes and attitudes of the consumers, the size of the target market and the changes in their spending patterns.

The process of developing sales forecast involves the following steps:

1.IDENTIFYING PAST SALES

A review of the past sales records is necessary to establish if there is any pattern or trend in the sales figures. A look at the sales figures of the past year, for the same period, would give an indication of the sales in the current year, given that the conditions are constant.

2. Reviewing the Changes in the Economic Conditions

- It is necessary to take into account the changes happening at the economic front, as this has a direct link to the consumer spending patterns. Economic slowdowns, increase in unemployment levels, etc., all affect business.
- Analyzing the changes in the sales potential
- It is now necessary to relate the demographic changes in the market to that of the store and the products to be sold.

3. Finding the changes in the marketing strategies of the retail organization and the completion

While creating the sales forecast, it is necessary to take into consideration, the marketing strategy to be adopted by the organization and that of the competition. Is there a new line of merchandise to be introduced, a new store to be opened or an existing store to be remodeled? All these factors need to be taken into consideration.

4. Creating the Sales Forecast

After taking into consideration the above-mentioned points, and estimate of the projected increase in the sales, is arrived at. This is then applied to various products/ categories, to arrive at the projected sales figures.

II: IDENTIFYING THE REQUIREMENTS

Planning is essential to provide direction and to serve as a basis of control for any merchandise department. In order to be able to provide the right goods to the consumers, at the right place and time, one needs to plan a course of action.

Planning in merchandising is at two levels.

1. The creation of the Merchandise Budget, and

2. The Assortment Plan.

There are two methods of developing a merchandise plan. They are top down planning and bottom up planning. In top down planning, the top management words on the sales plan and this is passed down to the merchandising team. On the other hand, in bottom up planning, individual department managers work on the estimated sales projections. These are then added up to arrive at the total sales figures. After the sales forecasting exercise has been completed, inventory levels need to be planned. The merchandise budget is the first stage in the planning of merchandise. It is a financial plan, which gives an indication of how much to invest in product inventories, stated in monetary terms.

The merchandise budget usually comprises five parts:

1. The sales plan, i.e., how much of each product needs to be sold; this may be department wise, division wise or store wise.
2. The stock support plan, which tells us how much inventory or stock, is needed to achieve those sales.
3. The planned reduction, which may need to be made in case the product, does not sell.
4. The planned purchase levels, i.e., the quantity of each product that needs to be procured from the market.

III: MERCHANDISE CONTROL

The purpose of Open-to-buy is twofold. First, depending on the sales for the month and the reductions, the merchandise buying can be adjusted. Secondly, the planned relation between the stock and sales can be maintained. When used effectively, Open- to- buy ensures that the buyer:

1. Limits overbuying and under buying,

2. Prevents loss of sale due to unavailability of the required stock,

3. Maintains purchases within the budgeted limits, and

4. Reduces markdowns, which may arise due to excess buying.

When planning for any given month, the buyer will not be able to purchase the amount equal to the planned stocks for the month. This is because there may be some inventory already on hand or on order, but not yet delivered.

IV: ASSORTMENT PLANNING

Assortment Planning involves a determination of the quantities of each product that will be purchased so as to fit into the overall merchandise plan. Details of colour, size, brand, materials, etc., have to be specified.

The main purpose of creating an assortment plan is to create a balanced assortment of merchandise for the customer. Various factors affect the assortment planning process. The first among these factors is the type; of merchandise that is to be stocked in the retail store. Merchandise may be classified into basic or staple merchandise, fashion, convenience or specialty goods.

FASHION MERCHANDISE

This type of merchandise has a high demand for a relatively short period of time. Buying the right quantities at the right time is of great importance for this category of products, as the demand for the product exists for a limited time. Excess buying may result in heavy markdowns at the end of the season or when the product goes out of style. Examples of such products include various cuts in jeans, which may be in style for a season, short lengths in kurtas etc.,

Basic Merchandise

These are products which consumers buy year in and year out. The store would usually require these products, to be in stock at all times. Example of products, which may be classified as staples are: men's white shirts, socks, handkerchiefs, stationary, etc, Buying staple merchandise is relatively easier; it can be easily done by analyzing the past sales records. Seasonal staples are those products, which are in demand only at a particular time of the year, every year.

Seasonal merchandise

Seasonal products include products that sell well over nonconsecutive time periods. Examples of such products include rainwear like umbrellas and raincoats, winter wear etc.,

Fad merchandise

Fads in contrast to fashions enjoy popularity for a limited period of time and usually generate high level of sales for a short period of time.

Style

It refers to a unique shape or form of any product. It may refer to specialsised types of expression, such as taste in music and food preferences.

ASSORTMENT PLAN

After determining the money available for buying, a decision needs to be taken on what to buy and in what quantity to buy it. This results in the creation of a Model Stock Plan. The model stock plan gives the precise items and quantities that need to be purchased for each merchandise line. To arrive at the model stock plan, they buyer needs to identify the attributes that the customer would consider while buying the product, then decide on the levels under each attribute and finally, allocate the total money available, or the units, to the respective item categories.

Step 1: The first thing that the retailer needs to do is to identify which factors affect the customer's buying decision. Let us assume that he identifies them as type of shirt, color, size, style, fabric and sleeve length.

Step 2: Identify the number of levels under each attribute. In the given illustration, let us assume that he identifies the following levels.

1. Type of shirt (Dress, Casual Formal, Sport)
2. Size (Small, Medium, Large, Extra Large)
3. Sleeve Length (Full Sleeves, Short Sleeves)
4. Collar Type (Saville, Button Down)
5. Color (White, Blue, Cream, Grey)
6. Fabric (Cotton, Cotton Blend)

In this illustration, the basic attribute that the retailer identifies is the shirt type that the customer would want to buy. Dress shirts account for 10 per cent of the sales, casual T-shirts 40 percent, formal 20 percent and sports 10 percent. The retailer first calculates the casual shirts that he needs to stock.

Step 3: The third step is to allocate the total units to the respective item categories. Thus, the units that are recommended for each item are in direct proportion to the estimated demand patterns, as illustrated in fig

If a retailer were to increase the number of attribute to be taken into consideration, the chances that the required product will match the customer's needs are increased.

The Range plan

The aim of range plan is to create a balanced range for each category of products that the retailer chooses to offer. The process of range planning ensures that the goals of the merchandise plan fall into specific lines.

- The number of items available to customers should be sufficient at all times and should be such that it helps the customer to make a choice.
- The range planning process should ensure that overbuying and under buying is limited
- Sufficient quantities of the product are available, so that all the stores can be serviced to him.

A good range plan ensures that the customer is happy with the range that is available to him.

Model stock plan

After determining the money available for buying , decision needs to be taken on what to buy and in what quantity. This results in the creation of the model stock plan. The model stock plan gives the precise items and quantities that need to be purchased for each merchandise line. To arrive at the model stock plan, the buyer needs to identify the attributes that the customer would consider while buying the product, then decide on the levels under each attribute and finally, allocate the total money available or the units to the respective item categories.

THE MERCHANDISE BUYING

Buyers play an important role in retail industry. Buyers may be responsible for buying for a department, an entire store, or chain stores. It is important that buyers maintain a balanced inventory and a budget agreed upon between themselves and the store or merchandise manager.

Central buyers work for chain stores and mail order houses. They may be located in divisional headquarters, the parent store of a chain or in offices in wholesale market areas.

Associate or junior buyers usually buy specific items for a department or division of a firm which is too large to be served by one buyer. Assistant buyers are responsible for routine aspects of the work. They coordinate stores or departments, supervise personnel and maintain sales and inventory records.

The responsibilities of buyer are

- Developing the merchandising strategies for the product line, store or organization that he or she is responsible.
- Planning and selecting assortments – this requires a keen understanding of the current market trends and economic developments. At the same time , it requires an understanding of the needs and wants of the target consumers and locating a product to suit these needs.
- Vendor selection, development and management – negotiations with the vendors for favorable terms and services are a delicate issue handled by the buyers.
- Pricing the merchandise to achieve the required targets in terms of gross margins
- Inventory management – allocation of merchandise to the various retail stores is also an integral function of the buyer. Hence the buyer needs to control inventory, which includes not only procurement, but also providing the goods as per the needs of the stores, so that under ideal circumstances, there is never a situation when the product is not available in the retail store. In case there is merchandise which is slow moving then markdowns or moving the merchandise to other locations also needs to be finalized.

Merchandise buying is a four – step process, which involves:

1. Finding Supply Sources,
2. Identifying Potential Supplier,
3. Negotiating with the Supply Sources, and

4. Finalizing terms with the Supply Sources.

1. Finding Supply Sources

Domestic sources of supply may be located by visiting central markets, trade shows or expositions may locate domestic sources of supply, usually, each city has its own central market, where a large number of key suppliers are located. A visit to such a location enables the buyer to understand the trends in the market and evaluate the new resources and merchandise offerings. Trade shows and expositions are also good for finding new sources of supply. In addition to buying from the domestic market, an organization may seek out foreign sources, from where merchandise can be purchased. This is a common trend in the west where trade barriers are considerably lower. As retailers today operate in a global marketplace, the sourcing of products from international markets is also a reality.

The prime reasons for looking at international sourcing could be the uniqueness of the merchandise, or the unavailability of the merchandise in the domestic market. Low cost and good quality is also a factor, which could affect this decision. On the other hand, a retailer may also source from a foreign market simply because the merchandise is unique and because certain customers are always looking for a unique product.

IDENTIFYING POTENTIAL SUPPLIERS

A decision now needs to be taken on the potential vendors. The following criteria need to be kept in mind:

1. The target market for whom the merchandise is being purchased.
2. The image of the retail organization and the fit between the product and the image of the retail organization.

3. The merchandise and prices offered.
4. Terms and services offered by the vendor.
5. The vendor's reputation and reliability.

The retail buyer then needs to negotiate on the price, the delivery dates, the discounts, the shipping terms and the possibilities of returns. While negotiating with the vendors, it is necessary to keep in mind their history, their goals and constraints. At the same time, the buyer needs to be aware of the real deadlines and work towards fulfilling them. The following are the types of discounts that could be available to the buyer:

Trade Discounts These are reductions in the manufacturer's suggested retail price, granted to wholesalers or retailers.

Chain Discounts This is the traditional manner of discounting, where a number of different discounts are taken sequentially, from the suggested retail price

Quantity Discounts These can be cumulative and non-cumulative. Retailers earn quantity discounts by purchasing certain quantities over a specified period of time.

Seasonal Discount This is an additional discount; offered as an incentive to retailer to order merchandise in advance of the normal buying season.

Cash Discount It is the reduction in the invoice cost for paying the invoice, prior to the end of the discount period.

Each retailer will have his own criteria for the selection of vendors. The starting point may be a vendor registration form, which provides the dateline address, the preferred mode of payment, the sales tax number, etc. Registration with the relevant tax authorities, e.g. for Sales Tax, is a basic criteria used by many retailers to eliminate suppliers.

3. Merit Rating the Supply Sources

Retailers have for long, been wary of sharing information with their suppliers. This hardly surprising – considering their traditionally competitive relationship, with both sides trying to get the best of every deal. However, times have changed, and many retail organizations work with their suppliers as a team to create a competitive advantage.

4. Finalizing terms with Supply Sources

In case a buyer is dealing with multiple vendors for a particular product category, he can draw conclusions on a vendor's performance by listing the following:

- The total orders placed on the vendor in a year
- The total returns to the vendors, the quality of the merchandise.
- The initial markup on the products.
- The markdown, if any,
- Participation of the vendor in various schemes and promotions.
- Transportation expenses, if borne by the retailer.
- Cash discounts offered by the vendor, and lastly,
- The sales performance of the merchandise.

1. A factual evaluation of the vendors helps the buyer in being unbiased and in taking the right decision for the retail organization.

GLOBAL RETAILING

MEANING AND IMPORTANT CONCEPTS

International trade and commerce has existed for centuries and played a very important part in the World History. However International Retailing has been in existence and has gained ground in the past two to three decades. The economic boom in several countries, coupled with globalization have given way to Organisations looking at setting up retailing across borders. The advent of internet and multimedia has further changed the dimensions as far as International Retailing is concerned.

Who are the International Retailers

When you think of International Retailers the names that come to one's mind would be the Wal-Mart, Gucci, Ralph Lauren, Mango, GAP etc. All of these are International Retailers. However we can broadly classify the International Retailers under two categories. The first category would be the global grocery retailers and the second category belongs to the International fashion Brands.

International Grocery Retailers

These international grocery retailers follow a multi brand and multi product business format which includes all products like food encompassing all types of fresh vegetables, fruits, juices, chocolates etc, fashion and clothing including bed linen etc, grocery, all types of branded consumables, as well as liquor and many more household goods under one roof. They generally follow a format that allows for selling to whole sellers, retailers as well as general public at the mega stores.

Traditionally these International Grocery Retailers have operated mainly in US and in Europe. Specifically in Europe the largest markets have been in Germany, France and UK. With globalisation and with several countries opening their markets to FDI in retail, these Organisations are moving into other parts of the world and into emerging markets.

There is yet another group of International retailers like IKEA, Lego, Toys 'R'Us etc who have chosen to focus and specialise in a particular segment like furniture etc.

INTERNATIONAL FASHION RETAILING

Names like Ralph Lauren, Gucci, Zara, Hugo Boss, JC Penny, Benetton, Jimmy Choo, Swarovski, Dolce & Gabbana etc belong to the second category of International Fashion Retailers. Originally these Companies catered to domestic markets in the countries of their origin. Fashion and Luxury brands have always been known by their label and brand value across countries, through word of mouth and sought after by the rich and famous from all over. Over the years, these companies have realised the opportunity in expanding their product mix and promoting their brands internationally. Thus we see the emergence of international fashion brands, luxury product brands dealing exclusively with branded clothing including sportswear, casual and formal wear, party wear, foot ware and accessories, luxury items including watches, perfumes, jewellery and many more items of personal use.

In the earlier times, the nova rich and the business class were the main customers who sourced these branded products from abroad. However in the recent times we see the educated and economically empowered youth demanding fashion and going in for branded items.

International brands have thus established a niche for themselves in domestic markets aided by the increasing demand for branded fashion products. International grocery retailers have expanded their business in emerging markets by virtue of their investments and procurement strategies.

When one refers to International Retailing, there are several dimensions of the trade that needs to be considered before attempting to come up with an apt description of the business. First and foremost is the invisible aspect of financial investments. Companies get into joint ventures and invest in the foreign retail company with or without management control. Secondly we must look at the areas where the retail company is transferring knowledge or processes to the new set up. In retail sector there can be many aspects of retail business, the knowhow of which are transferred to the new establishment. The business model, the management and operational policies and processes, financial accounting systems, supply chain model as well as the retail store design and layout concepts, merchandising processes and more importantly the systems and processes that are used to manage multi retail stores and outlets can be transferred by the parent company to ensure an identical setup at the new location.

Marketing, brand promotions and customer management policies too will be shared to ensure standardisation of processes in all areas across countries. Most companies would insist on ensuring that the new foreign outlets follow the same operational, costing and accounting as well as reporting and measurement models as that of the parent company. The most important area that can be actually internationalised would be the sourcing function. Central Sourcing and vendor management from multiple countries for multiple countries is the strong feature that characterises the International Retailers.

STRATEGIC PLANNING

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy. Strategic planning became prominent in corporations during the 1960s and remains an important aspect of strategic management. It is executed by strategic planners or strategists, who involve many parties and research sources in their analysis of the organization and its relationship to the environment in which it competes.

Strategy has many definitions, but generally involves setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions. A strategy describes how the ends (goals) will be achieved by the means (resources). The senior leadership of an organization is generally tasked with determining strategy. Strategy can be planned (intended) or can be observed as a pattern of activity (emergent) as the organization adapts to its environment or competes.

Strategy includes processes of formulation and implementation; strategic planning helps coordinate both. However, strategic planning is analytical in nature (i.e., it involves "finding the dots"); strategy formation itself involves synthesis (i.e., "connecting the dots") via strategic thinking. As such, strategic planning occurs around the strategy formation activity

Activities

The essence of formulating competitive strategy is relating a company to its environment. Strategic planning activities include meetings and other communication among the organization's leaders and personnel to develop a common understanding regarding the competitive environment and what the organization's response to that environment (its strategy) should be. A variety of strategic planning tools (described in the section below) may be completed as part of strategic planning activities.

The organization's leaders may have a series of questions they want answered in formulating the strategy and gathering inputs, such as:

- What is the organization's business or interest?
- What is considered "value" to the customer or constituency?
- Which products and services should be included or excluded from the portfolio of offerings?
- What is the geographic scope of the organization?
- What differentiates the organization from its competitors in the eyes of customers and other stakeholders?
- Which skills and resources should be developed within the organization?

STRATEGIC PLANNING

Strategic planning is a process undertaken by an organization to develop a plan for achievement of its overall long-term organizational goals. The **process** requires you to analyze both the internal and external environment of the organization. Typical steps in**strategic planning** include an analysis of the current state, defining the future state, developing objectives and**strategies** to achieve the vision, and implementation and assessment of the **plan**. The following are the effective steps for Strategic Planning Process.

Strategic Planning Process – Strategic management is process of the regular and continuous planning, leading and analysis of all the necessary actions that help an organization to meet its goals and objectives.

According to Sharplin**,** "Strategic Management is defined as the formulation and implementation of plans and carrying out of activities relating to the matters which are of vital, pervasive or contusing importance to the total organization".

Strategy is a framework of plans or methods that help and organisation to achievement of the main objective. It is a course of actions that is designed to reach smaller goals thus leading to the main aim of the company. Originally, the word strategy has been derived from Greek word, 'strategos' which means general ship.

Strategic planning is a review and planning process that is undertaken to make thoughtful decisions about an organization's future in order to ensure its success. Strategy is a framework of plans or methods that help and organisation to achievement of the main objective. It is a course of actions that is designed to reach smaller goals thus leading to the main aim of the company. Originally, the word strategy has been derived from Greek word, 'strategos' which means general ship.

Strategic planning process involves rightly defining the company's mission and an assessment of its present position and competitive status. Strategic planning process requires a well-structured plan for how to optimally allocate time, human capital and financial resources. By following a strategic planning process, organizations can improve outcomes for their business and avoid taking on unexpected risks due to lack of foresight and futuristic approach.

There are various approaches and action steps for strategic planning. One of which has been summarized below. It is a joint attempt between Board and staff, which can be achieved by forming a special strategic planning committee of members from the Board and staff and delegating proper balance of authority and responsibility for the effort. Some of it can be done by the committee, while Board and staff planning retreats are likely to be required, during each phase of the planning process. Major steps have been described below:

Decide on one common strategic planning process

- Understand what strategic planning process is and how it is done, its importance to the organization, towards providing a common vision, with agreed-upon objectives and strategies, and what steps can be taken to establish and implement a strategic plan;
- Examine all the costs involved in doing strategic planning, in terms of human resources, time and other resources – needed to develop an effective plan; in case of organizational instability or financial crisis or any such situation, it would not be easy or a wise decision to enter into a strategic planning process until the current problems and needs have been properly addressed;
- Agree upon one common procedure and set responsibilities at all levels in the strategic planning process, dedicating proper time for planning meetings with the Board and all staff. The time may range from a few hours to a couple of days, depending on the members and planning.

It's desirable to set up a committee or task force for strategic planning. The coordinating group or the committee assigned for strategic planning process must consist of Board members, senior & middle managers, a representative of support/technical staff, a member representing stakeholders, and perhaps former leaders of the organization.

- It's important to allocate ample time to the strategic planning process.
- It is essential to delegate lesser regular day-to-day responsibilities of the staff and Board members who are the key participants in developing the strategic plan.

Evaluate and Assess the Environment

This evaluation covers both an **external environment** — finding and fixing opportunities and threats — and an **internal environment** — analysing organizational strengths and weaknesses. This process is known as "SWOT Analysis" that stands for: strengths, weaknesses, opportunities, and threats.

1. External Environment

Consider political, economic, social, and technological factors and their impact on your organization. This includes changing demographics, economic and political trends, and effects of new or changing laws that affect the working of the organization, social values, communications and other technological factors.

- Think carefully about your immediate target audience or area to know its status and demand patterns.
- Determine possible opportunities and challenges related to resources and financing.
- Identify current and potential allies and competitors, including organizations with the target audience or the funding sources.

2. Internal Environment

This includes the following components.

Assess current organizational performance in terms of:

1. Inputs – human and financial resources,
2. Processes – methods and strategies that are operating, and
3. Outputs – final outcome.

- Identify both favourable and unfavourable success factors affecting the organization. Understand the factors that are necessary for organization's continuous success. The Board and staff can give useful information and knowledge to this process.

- Review organizational values and operating principles as these define the organization. There are organizations that follow the written values and principles guiding their decision making process and related activities.

The committee responsible to assist the environmental scan can contact company's external members like suppliers, stakeholders, etc to get an external view and the staff can provide an internal assessment. The result of the environmental scan should be an analysis of organizational strengths and weaknesses and external opportunities and threats. Recorded or documented, the assessment requires close review and discussion by the committee. The meeting for strategic planning process begin with a presentation of these results of the environmental assessment. In most of the cases, these results are presented to the Board before the planning meetings begin.

3. Determine the important issues and questions that need to be addressed as part of the strategic planning effort

If there is some discrepancy about issues of the organization, it is possible to move immediately to the main objective and then goals. If there is no agreement on general directions and organizational goals at all, it becomes necessary to find issue priorities and learn critical choices. This might be done in several ways. For example:

- The planning committee should determine the strategic issues from the environmental assessment, with individuals identifying issues and indicating why each of them is strategic, including the pros and cons of addressing and not addressing it.

Whatever method is used, the discussion should reach some level of agreement about issues or choices that need to be taken care of and the decisions made under the strategic planning process.

4. Define or review the values, social vision, and mission

Make sure there is an agreement on why organization's existence, what goals it seeks to achieve, and whom it serves. Begin your strategic planning process by agreeing on:

- Deep-rooted values or core principles that guide the organization and are shared by Board and staff, not easily changed.
- Vision for the community which is viewed as your reflection of what the community would be like, if your values were shared and practiced by all.
- Mission or the purpose for your organization's existence.

5. **Make a shared vision for the organization**

It is important to focus and agree on the organization's vision to be in three to five years or at the end of the period covered by the strategic plan.

The vision describes the organization and:

- -its mix of programs,
- Resources (human and financial)
- Reputation inside and outside,
- Key accomplishments and development, and
- Relationships with stakeholders, and government;
- Its target area, target population,
- Budget and funding from public and private sources,
- Board and staff, size and composition,
- Program areas, offices and locations.

The development of a shared vision is best done with both Board and staff involvement and coerciveness.

6. Develop a series of goals that define the organization addressing its mission

Short steps from the vision to goals – the statement that describe the vision are essentially missions. It is extremely important to divide the vision into a series of major objectives of the organization, as status statements that describe the organization.

7. Concede the major strategies to attain goals and address main issues identified through SWOT

The major emphasis should be on broad strategies, which should be related to specific goals. The process requires to know the “where you are?”, “where you want to be?” and “how to reach there?” for the organization. The Board provides a blueprint, while the staff or the planning committee does the detailed analysis. Whatever specific approach is used, particular criteria for assessing and selecting among strategies should be given consent. Thereafter, the planning committee must always consider the reasons to properly delegate responsibilities for their implementation.

8. Design an action plan that marks the goals and identifies objectives and work plans on a yearly basis

After developing the longer-term parts of a strategic plan, it is now time to ensure a specific work plan, to start the implementation. Strategic planning describes that strategies must exhibit present conditions within the organization’s internal environment. Therefore it becomes difficult to develop particularized annual plans except for the first or perhaps the second year covered by the strategic objective. However, yearly action plans are required. Yearly program goals should be time-based and measurable, as it shows the progress made by the organization according to the plans made. This also gives an idea if the strategic planning process is been done and implemented in the right manner or not. The annual plan can be included under the strategic plan.

Developing objectives and annual work plans requires the Board’s and staff’s regular input, wherein the staff takes up program-related goals and objectives, and the Board developing goals and objectives related to governance, once the Board has defined organizational goals.

The Board must approve the action plan, so that the staff can develop the written plan. The staff's expertise lies in the implementation of plans and strategies based on policies set by the Board.

9. Seal the final planned strategy that summarizes the decisions and consequences of the strategic planning process

No set format is required; however it's important to be sure to include the outcomes of each major step.

10. Build in processes for monitoring and modifying strategies in accordance with the changes in the external environment

Development towards goals and use of strategies should be monitored regularly, with strategies re-evaluated and annual objectives improved on a yearly basis, based on the progress made, obstacles removed, and the continuously changing environment. Before unexpected changes before-hand, such as favourable appointed officials, development in the economy, changes in local financiers priorities, or changing demand patterns of the target population.

1. Define objectives at the beginning of every year.
2. Track the progress that has been made.
3. Use the plan as a compass, but not an inflexible blueprint for action.

The Board plays a critical role in reviewing progress and changing the strategies when needed; the staff generates the documentation and necessary information for this review, as well as performing timely assessment and making reports to the Board.

The steps above are just one of the approaches towards developing and implementing a strategic plan. Strategic planning is a joint Board-staff effort. The main planning sessions work best when assisted by an someone from outside the organization who is knowledgeable about the organization like a former senior member or someone from a community-based organizations, someone who is trained in group activities and experienced in strategic planning, directed towards assuring complete discussion of issues but also task-oriented and who can take the process forward. Together these factors serve as a guide to strategic planning.

POSSIBLE QUESTIONS – UNIT – II

PART - B

1. Describe the strategic planning process in detail?
2. Enumerate the various sources of merchandising?
3. Explain the role and responsibilities of merchandiser ?
4. Elaborate the factors that affect the function of merchandising in retail?
5. Elucidate the steps involved in developing retail strategy planning?
6. Define merchandise planning and explain its implications?
7. Describe the factors affecting the successful global strategy?
8. Explain the various sources of merchandise procurement?
9. Enumerate the process of merchandise planning in detail
10. Elaborate the various functions of merchandise manager?

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**
****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

Unit III - Human Resource Management in Retail

Organization Structure and Human Resource Management in Retail – Retail Store Operations – Financial Aspects of Retail – Retail Marketing and Communication.

Organization structure in retail

The organization structure makes a definite impact on the various functions within the organization. Various factors which influence the creation of organizational structure are

- Scope and scale of operation, local, regional, national, international
- Types of products sold
- Type of departmentalization- functional, product wise or geographic
- Thus organization structure varies from one organization to another organization

Organization structure or small stores / independent retailers

Small independent retailers are by far, the largest number of retailers existing in our country today. In small independent retail stores, one person is typically the owner or manager and is responsible for most of the aspects of the retail operation. A few sales persons and family members usually assist him. These retail outlets are owner managed businesses, where the owner of the family member provides hands on management of the store.

Organization structure of a retail store chain/ department store

When the number of stores that a retailer operates increases from one to more, the management becomes complex. Retail store chains may operate at a regional, national or an international level depending on this area of operation, they would require skilled personnel for various areas of operation. Such stores may be departmentalized on the basis of functions or product lines that the retailer operates in

The four functions are present in any retail organizations regardless of its size.

- Control – the department is usually responsible for looking after the assets of the organization and functions like accounting, credit control are the part of it.
- Publicity – responsibilities include advertising, sales promotions, public relation, publicity etc.,
- Operations – include responsibilities like the actual operations of the store, including receiving goods, checking, maintaining records and customer relations.
- Merchandising – duties of this department would start with forecasting the merchandise required, procuring the merchandise, pricing it and make it available at the retail stores.

Human resource management in Retail

In any retail organization the people who deal with the customers at one to one level,are considered the face of the organization. Thus people who work at the store level are important. Hiring persons is the right attitude as important as in the case of most retail stores, the employees need to work long hours, and also they need to work when the rest of the people may be on a holiday. Examples on Sundays, occasions etc.,

The various aspects of human resource functions in retail are

- Identifying various roles in the organization
- Recruiting peoples with the right attitude to fit the jobs.
- Training

- Motivating employees
- Evaluating employee performance

1. 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 for various jobs, the skill sets and educational background needed and the location where they would be based, depending on the organization structure defined and the size of the retail operation.

Key tasks in a typical retail organization involve

- Buying and merchandising
- Store management and operations
- Technology support

It is necessary that persons with the right attitude and skill sets recruited for the above mentioned functions as they are the key in any retail organization.

2. 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 recruitment process id to make available, job applicants for specified jobs. Common ways of recruitment include newspaper advertisements, visits to colleges, existing employees, references etc.,

3.Training

Training is an important aspect of human resource management in retail. Typically in retail, training needs arise at the following items.

- Inducing new persons / staff into the organization
- Training of sales staff, as they are the persons who are in direct contact with the customers
- Training of staff/ personnel for skill enhancements

With new persons join any organization an induction programme is conducted. The purpose of such an induction programme is to familiarize the new entrants about the organizations, policies and methods of doing business.

4. Communication skills

This is necessary to enable the staff to understand the basics of effective communication. They also need to understand the barriers to communication and how to overcome them. Body language, its importance and interpretation in various sales situations, also needs to be understood by the staff to enable them to communicate effectively with the customer.

5. Product knowledge

Product knowledge is very important to retail sales person. He needs to know the features, prices, qualities and benefits of the product that they are selling. Details of any after sales service offered must also be known. It is advisable to possess knowledge of the current market trends and offerings of the competitors. Product knowledge many a times becomes the key factor affecting the consumer's decision to make a purchase.

6. Company policies on returns

The sales person also needs to be aware of the policies on returns and exchanges. This enables the staff to know the manner in which they need to deal with the customers on these issues.

7. Knowledge of the workplace

The staff needs to be aware of the layout of the store and the merchandise available in various sections. Within the department/ section that the employee has to operate in, he needs to know and understand the manner in which merchandise has been presented and stocked.

8. Market awareness

This includes awareness of the trends and fashions in the sector in which the retailer operates. Knowledge of the stores in the same market and the special features of the competing stores also need to be known. This knowledge helps in understanding what the customers may be interested in.

9. Personal grooming

The sales person is the face of the organization to the world. An untidy looking salespersons is more likely to alienate customers. Personal grooming at the retail staff level requires the staff to understand the discipline of the retail shop, the uniform, shoes, appearance and personal hygiene that is required.

10. Motivation

Success in a retail environment largely depends on the workforce. Given the kind of work hours and the pressures on performance, the retailer needs staff that is completely motivated. This is true for persons work within the organization as front – end sales staff as well as people working at the back – end in the organization.

Research on human behavior has, however, allowed psychologists to explain motivation and develop models which help us in understanding how to get most out of people. The key factors that help in motivating people are.

- The organization culture
- The rewards and recognition
- The monetary benefits
- Prospects for growth and job enrichment

11. The organization culture

The culture within the organization can be strong motivating factor. The core values and beliefs of the organization very often, dictate its culture. The culture of a retail organization may focus on customer service or on cost efficiency. The culture within the organization largely influences the manner in which the people at various levels behave and interact with others.

12. Rewards and recognition

Rewards and recognition are a strong motivating factor. A reward is anything an individual perceives as valuable. Rewards do not have to hold any monetary value. Since each person's perceptions are different, what will be considered as a reward and its relative value differ widely among individuals. Recognition can be in the form of a simple greeting card, to a cake or an event organizes for the staff.

13. Monetary benefits

The importance of money as a motivating factor will depend on the need hierarchy of the individual. Behavioural scientists believe that the pay will lead to greater performance, provided certain conditions exist. The first that the person must place a high value on pay. The second is that the person perceives that pay and performance are related, meaning that if they work harder, they will get pay raises. Typically at a higher level in management, money may cease to be motivating factor.

14. Prospects of growth and job enrichment

The prospects of growth within the organization and the opportunity of job enrichment are many a times seen as a key motivating factor. An individual who joins a retail organization as a sales person sees opportunities to rise within the organization, is likely to be highly motivated. Job enrichment and job rotation are also ways by which employees can be motivated. Simply offering more money will motivate people to some degree, but it is far more effective to focus on other needs. By offering rewards which satisfy other needs such as those for handling responsibility and recognition, the retailer can create a better motivated workforce.

HR Challenges in retail

Human resources involve the strategic planning and management of employees to create a productive and motivated workforce. The retail industry poses particular HR challenges because employees deal directly with your customers. You must consider both short-term and long-term HR objectives when addressing these challenges.

High Turnover

Retail is notorious for having a high rate of employee turnover. This means employees routinely come and go, which poses several challenges. Training and developing are difficult, time consuming and constant if you constantly have to recruit and hire new people. It's also more difficult to build customer loyalty if customers keep seeing a new face every time they enter your store. You can address these problems by recruiting the right people and building a rapport with your employees. When you interview people, make sure you ask specific questions that relate to the type of work your employees do. Informal social outings and fun games at work can help build rapport.

Diversity

A diverse workforce is typically regarded as a good thing. It helps a retailer better connect with its marketplace and usually leads to more and better ideas and results. However, a staff of people from widely varying demographic backgrounds might have trouble developing cohesiveness. From an HR vantage point, your challenge is to manage diversity to avoid major conflicts and promote a spirit of tolerance, teamwork and collaboration. Include diversity discussions in store meetings and encourage employees to discuss their differences. These techniques can go a long way toward building a more cohesive team.

Misconceptions

To build a staff of competent, committed and motivated employees, retailers must overcome a number of common challenges and misconceptions about the work environment. Common concerns include long hours, no full-time jobs or benefits, low pay and no growth opportunities. You can overcome these challenges by going against the industry grain. Offer regular eight-hour work shifts at your retail business. Provide competitive pay and benefits to full-time employees. Even if your starting pay is modest, do your best to offer fast tracks to higher salaries and management positions when an employee has established a good track record with your business.

Seasonal Demand

Retailers often experience seasonal demand fluctuations. The holiday buying season, from "Black Friday" through Christmas, is well-known as the busiest shopping season of the year. Retailers often try to add temporary staff during these times. They often wind up with fewer skilled and trained workers who might not have the tools to best serve your customers. These workers can also alienate regular staff that must pick up the slack. Develop a plan to assimilate temporary workers during these seasonal periods. A store meeting at the start of the busy season is a good way to help temporary workers learn the system and get to know the regular staff.

Retail Store Operations

Store Atmosphere

The store must offer a positive ambience to the customers for them to enjoy their shopping and leave with a smile.

- The store should not give a cluttered look.

- The products should be properly arranged on the shelves according to their sizes and patterns. Make sure products do not fall off the shelves.
- There should be no foul smell in the store as it irritates the customers.
- The floor, ceiling, carpet, walls and even the mannequins should not have unwanted spots.
- Never dump unnecessary packing boxes, hangers or clothes in the dressing room. Keep it clean.

- Make sure the customers are well attended.
- Don't allow customers to carry eatables inside the store.

Cash Handling

- One of the most important aspects of retailing is cash handling.
- It is essential for the retailer to track the daily cash flow to calculate the profit and loss of the store.
- Cash Registers, electronic cash management system or an elaborate computerized point of sale (POS) system help the retailer to manage the daily sales and the revenue generated.

Prevent Shoplifting/Safety and Security

- The merchandise should not be displayed at the entry or exit of the store.
- Do not allow customers to carry more than three dresses at one time to the trial room.
- Install CCTVs and cameras to keep a close watch on the customers.

- Each and every merchandise should have a security tag.
- Ask the individuals to submit carry bags at the security.
- Make sure the sales representative handle the products carefully.
- Clothes should not have unwanted stains or dust marks as they lose appeal and fail to impress the customers.
- Install a generator for power backup and to avoid unnecessary black outs.
- Keep expensive products in closed cabinets.
- Instruct the children not to touch fragile products.
- The customers should feel safe inside the store.

Customer Service

- Customers are assets of the retail business and the retailer can't afford to lose even a single customer.
- Greet customers with a smile.
- Assist them in their shopping.
- The sales representatives should help the individuals buy merchandise as per their need and pocket.
- The retailer must not oversell his products to the customers. Let them decide on their own.

- Give the individual an honest and correct feedback. If any particular outfit is not looking good on anyone, tell him the truth and suggest him some better options.
- Never compromise on quality of products. Remember one satisfied customer brings five more individuals to the store. Word of mouth plays an important role in Brand Promotion.

Refunds and Returns

- Formulate a concrete refund policy for your store.
- The store should have fixed timings for exchange of merchandise.
- Never exchange products in lieu of cash.
- Never be rude to the customer, instead help him to find something else.

Visual Merchandising

- The position of dummies should be changed frequently.
- There should be adequate light in the store. Change the burned out lights immediately.
- Don't stock unnecessary furniture at the store.
- Choose light and subtle colours for the walls to set the mood of the walk-ins.
- Make sure the signage displays all the necessary information about the store and is installed at the right place visible to all.
- The customers should be able to move and shop freely in the store.
- The retail store should be well ventilated.

Training Program

- The store manager must conduct frequent training programs for the sales representatives, cashier and other team members to motivate them from time to time.
- It is the store manager's responsibility to update his subordinates with the latest softwares in retail or any other developments in the industry.
- It is the store manager's responsibility to collate necessary reports (sales as well as inventory) and send to the head office on a daily basis.

Inventory and Stock Management

- The retailer must ensure to manage inventory to avoid being "out of stock".
- Every retail chain should have its own warehouse to stock the merchandise.
- Take adequate steps to prevent loss of inventory and stock.

Components of retail store operations

In order to ensure smooth floe of operations in the store level, it is necessary that the management defines processes and has the people and the resources to implement them.

The tasks to be performed and the processes are usually defined in a store operations manual. This document lists the tasks which need to be carried out the store level. It states the responsibility and the time period in which these tasks need to be performed. A well – prepared operations manual or blues print is of efficient store operations.

In a retail store the following tasks need to be performed.

- Store administration and management of the premises
- Managing inventory and display
- Managing receipts
- Customer service
- Managing promotions, events, alliances and partnerships

1. Store administration and management of the premises

Managing the operations of retail store starts by determining how the tasks pertaining to the premises are to be performed. Firstly the duration of the hours of the business need to be determined. It is also necessary to specify with whom the responsibility of opening and closing the store lies with. Some considerations which need to be taken into account while determining the business hours are the target audience for the store and the kind of products which are to be retailed.

Security of the store premises and of the merchandise in the store is equally important. The size of the retail store and the level of operations determine the level of security required. A small independent retailer may not really need security for his premises, but a large department store may consider it necessary. Security of the premises is necessary in order to ensure that miscreants do not spoil the retail store. Security of merchandise is needed to ensure that pilferage of merchandise or shrinkage as it is commonly termed is minimal.

Store administration

Store administration deals with various aspects like the cleanliness of the store premises, maintenance of the store façade and the display windows etc. administration is also be responsible for utilizing the store personnel effectively. Time keeping for the store staff is important. It is also necessary to keep track of holidays and the shifts that the staff may be required to work for.

The premises of store need to be maintained as per the standards decided upon by the management. This involves the task of cleaning the store and arranging the merchandise before the first customer can walk in to the store.

An important task of administration involves ensuring that all the required permissions and licenses to run a retail establishment are procured from the right authorities.

2. Managing inventory and display

The task of allocating the merchandise to the various stores usually rests with the merchandise management team of the category manager, as the case maybe. At the store the store staff manages the inventory. To enable them to work efficiently, the complete procedure for the handling of merchandise at the store levels need to be documented.

Responsibilities with respect to merchandise at the store level involve receiving and inwarding the goods. Once the merchandise is received at the store , the quantity and details ,colour, style and size have to be checked with the document accompanying the goods, to detect any discrepancies. In the case of most large retailers, using a hand held scanner.

An integral part of managing inventory at the store level is displaying it correctly. The best merchandise may lie unsold if it is not displayed in a manner that is appealing and convenient for the customer.

3. Managing receipts

Managing receipts involves defining the manner in which the retailer is going to receive payment for the sales. The most common method for receiving payments for goods sold in India is by cash or by credit card. While most of the large retail stores would accept either of the above forms of payment, a small retail local store may accept only cash payments. Other models of receiving payments are by way of cheque or a debit card. Some stores also have a co – branded card, which can be used for payments.

The use of credit cards in India is largely an urban phenomenon. Most large department stores have started accepting credit cards as a mode of payment. The credit card charges paid by the retailer depend on the volume of the business transacted by the retailer and the rate negotiated on the basis of future business that can be offered by the retailer. The procedure for accepting payment by way of credit cards and collecting payment from the bank needs to be clearly understood by the staff responsible for this function.

4. Customer service

The customer service policy to be adopted by the retailer is decided upon by the top management. This is actually put into practice by every person working within the retail store. Customer service does not have to begin and end at the customer service counter in the retail store. Each person on floor of the retail store can ensure that the customer, who comes in contact with him or her, is comfortable and has a pleasant shopping experience. This is something which has to be imbibed in them, and this has to be top down approach.

Retailers in india need to be sensitive to the issue of efficiency of billing at times when the number of people buying from the store increase substantial specific days of the week may show a trend of increased billing. This may also happen during a discount sale, diwali durga puja Christmas New Year and other such occasions.

5. Managing promotions, events, alliances and partnerships

Events and promotions are very much a part of the retail marketing scene. In order to enable the success of an event or a promotion, it is necessary that the store where the action is to take place be geared for the same. This may require hiring of additional staff, working existing staff in shifts and running a short training programme on the features of the promotion, the hours and the pacify of the merchandise.

Many a times, a retail store may have a tie up with the local partner to promote certain products or services. This has to be managed at store level. Managing alliances and partnerships with local partners is also an important part of the store operations. Display of merchandise and point of purchase material has to be managed at the store level.

The complexities of managing retail store also depend on the type o retail store and the products retailed. Managing the retail operations of a retail store is a challenging task. Efficient operations management is necessary to achieve the retailers' objectives and lone successes.

Financial aspects of Retail

A retailer acquires merchandise on credit, and then transfers it to the retail stores where they have to be sold. The duration between the purchase of the firm's inventory and the collection of accounts receivable for the sale of that inventory is known as the cash cycle.

Measures of performance

To an investor in the business, financial performance is an indicator of the health of the organization. Analyzing the financial performance is necessary for the following reasons.

- To help identify the gaps in the targets
- To identify the opportunities for improvement
- To evaluate past and present performance

As for any other business, for retail too, there are two basic indicators of evaluating financial performance. The first is the income statement or the profit and loss account. This is an indicator of the profitability of the business. The second is the balance sheet, which is an indicator of the turnover.

The income statement

The income statement is the record of revenues earned by an organization and the expenses incurred. The income statement is a snapshot of a company's operational performance for a particular period of time. It takes the companies revenues and expenses as inputs and gives profits as the output. it is popularly known as the profit and loss account statement and is always created for a particular period of time.

A comparison of the income statement over a period of time can also be made to gauge the stability of the business. When compared with other organizations in the same business, it can call for a reassessment of the marketing strategy.

The components of income statement

Sales – The total money received by the retailer in the sale of merchandise

Cost of goods sold – it is the expenses incurred by the organization for producing the goods. It includes the money spent for buying the raw materials needed to produce its products, the money is spent on manufacturing its products and labor costs.

Gross margin – it is also known as the gross profit on sales. This is the difference between all the revenue, the company has earned from the sale of its products, minus the cost of what it took to produce them.

Gross profit on sales = net sales – cost of goods sold

The operating expenses – these are the expenses incurred in the producing the goods, like labor, fuel, power etc. The difference between the nets ales and operating profit is the operating profit which is commonly used statistic to judge the operational performance of the company.

The operating profit before tax – It is the operating profit less interest and depreciation. Non operating income is the income that is not earned in the normal course of business operations.

The Balance Sheet- the other measure used by investors to study the turnover in the balance sheet. The balance sheet is like a financial snapshot of the company's financial position situation at a particular point of time. It gives the details of the company's ashets and liabilities at a particular point of time. The data shown in a balance sheet can be interpreted in two halves. The first half indicates the money being used in the business. And second shows the capital employed or where the money has been secured.

Measuring retail store and space performance

The measures commonly used for measuring the retail store and space are

1. GMROF

The concept of GMROF when applied to the retail space, gives the gross margin return of selling space or footage. This is popularly termed as GMROS or GMROF. It is calculated by dividing the gross margin by the retail selling space.

The gross margin return on selling space can be increased by either increasing the gross margin or by decreasing the selling or both.

GMROF also allows the retailer to calculate the margin earned by the various departments and the various product lines.

2. Sales per square foot

Another measure of retail space productivity is the sales per square foot. This is calculated by dividing the total sales by the total square feet of selling space.

3. The conversion ratio

The number of people who enter a retail store are termed as the walk – ins. The number of people who actually make a purchase from the store are termed as conversions. The ratio is always calculated for a particular period of time. It serves as a tool for evaluating the performance of the store and the merchandise sold.

4. Average sales per transaction

This is calculated by dividing the total sales by the number of bills generated. It is an indication of how much a customer spends in the store per transaction again, varies depending on the type of retailer.

Measuring employee productivity

There are two methods by which the productivity of the people employed a retail store can be measured.

- Sales per employee
- Gross margin return on labour

Sales per employee

It is an indicator of the performance of the sales staff. It helps the retailer gauge whether the store is adequately staffed and also helps in determining the sales targets for the frontline staff. It is calculated by dividing the total sales by the total number of employees in the store.

GMROL

Extending the concept of GMROI to the number of employees in the store, we can calculate the Gross Margin Return on Labour (GMROL). This is calculated by dividing the gross margin by the total number of employees in the store.

In the absence of any concrete data on the retail sector in terms of performance measures and due to the fact that a large number of retail businesses in India are privately owned or family run businesses, we can use indicative data on industry benchmarks.

Retail marketing

Marketing as a social process by which individuals and groups obtain what they need and want through creating offering and freely exchanging products and services of value with others.

Philip Kotler

The American marketing association defines marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.

The Role of marketing in retail

The role of marketing in a retail organization is two – fold. the first role that marketing can play for a retail organization is that of informing the consumer that it exists. The second role that marketing plays for the retailer is enabling it to get closer to the end consumer.

As the industry evolves and begins to focus on creating experience for the end consumer, the elements of the marketing mix becomes increasingly important. Technology aids the understanding of consumer needs and preferences and at the same time, serves as the silent salesman. Point of purchase signage and in- store media educate and draw the attention of the consumers towards products availability and attributes, at a time when most consumers want more information and when retailers have reduced staffing levels, retail marketing performs a vital service and augments cost-reduction efforts.

Retail marketing is one of the few mass advertising media that can convey the same overall strategic message in differing languages, to varying audiences in the village, city or region. Today's p-o-p displays are easily assembled maintained and at the same time more powerful in entertaining and informing in the retail environment.

Retail marketing mix

The retail marketing mix is a term that is used to collectively identify several key aspects or phases associated with achieving success in a retail market. Each of the aspects addresses activities that begin with the creation of a good or service and follow all the way through to closing the sale with the buyer. Sometimes referred to as "The Four P's of Retailing," the elements found in a retail marketing mix include product, price, place, and promotion.

1. **Product**

The core aspect of the retail marketing mix is the product created for sale to consumers. Ideally, the good or service in question is of the highest quality, with that quality reflected in both the design and the packaging for the product. The product itself must be of value to the targeted consumer base, and the packaging must also reflect the manufacturer's understanding of what resonates with those desirable customers. Calling attention to features and functions that are likely to be especially appealing is always a good idea when it comes to product and packaging design

2. **price**

Another important component in the retail marketing mix is the price of the good or service offered for sale to consumers. Simply put, the price must be competitive with similar products on the market, and it also must be affordable for the targeted consumer markets. Even with consumers who place a high premium on quality, price will still play a major role in deciding whether or not a particular product is worth trying and purchasing.

3. **Place**

Place is also integral to the retail marketing mix, both in terms of physical locations and the placement of information about the products online. The idea is to make sure that the physical as well as the virtual venues chosen for the product are also places that the targeted consumers are most likely to visit. Paying close attention to where the products can be found can go a long way toward making it easier for customers to find and purchase the goods and services.

4. **Promotion**

The fourth aspect of the retail marketing mix is promotion. Here, the focus is how to go about presenting the goods and services to potential clients and ultimately generating sales from those efforts. Determining the exact nature of a marketing campaign requires understanding what methods are most likely to attract positive attention from targeted consumer groups, then exploit those methods to best advantage. Typically, the promotion will include a combination of print advertising, traditional electronic media such as television and radio, and online advertising that catches the eye and draws attention to the products. The marketing campaign developed to promote the products will normally consider the other elements in the retail marketing mix and incorporate information about the product, the places where the products are sold, and the nature of the pricing as means of attracting attention and motivating consumers to make a purchase.

5. **Physical evidence**

A great way to describe physical evidence is by relating it to the material part of what the customers see. This can include the aesthetics of in and outside your business, signage, uniforms, and stationery, business cards and advertising material; along with everything else the customer visually comes into contact with, regarding your business.

6. Process

A business process is best described as the activities that produce a specific service or product

7. **People**

Your people, being your employees need to be educated on the products or services you provide, along with being able to fit into your organisational culture that your business has created. Customers have to have their needs met in regards to getting great customer service from your employees.

Retail Communication

- Retailers need to remain connected with their target market continuously. Communication serves as the life blood of customer retention in any business. Retail promotion serves as the key in communicating the target market. Promotion is basically a communication process. This has become necessary, as the process of selling is more complex today because products are more technical, buyers are more sophisticated, and the competition is more intense. Without proper flow of information and effective communication from the producer to the consumer either along with the product or well in advance of the introduction of product into the market, no sale is possible today. The various promotion mix elements designed for this purpose are also referred to as "Communications Mix". The process of communication mix is as follows.

Operation of Communication Process

- Advertising Sales Promotion Personal Selling Product Design Display Package Unawareness Awareness Comprehension Conviction Action Competition Memory Lapse Sales Resistance Traditional Sentiments

Need for Communication

- When a company develops a new product, changes an old one, or simply wants to increase sales of an existing product, it must transmit its selling message to potential customers.
- The process of communication is generally divided into Explicit and Implicit communications. The former one involves the use of language to establish common understanding among the people. Implicit communication is an 'intensive interpretation of symbols' and is basically a form of non-verbal communication. For example, when

two foreigners meet, even though they are unable to communicate through a common language, they will exchange their views through meaningful symbols.

- Promotion is an "exercise in information, persuasion, and influence". Accordingly, promotion has come to mean the overall coordination of advertising, selling, publicity, and public relations. Promotion is a helping function designed to make all other marketing activities more effective and efficient. But sales promotion as such helps only the selling activity.

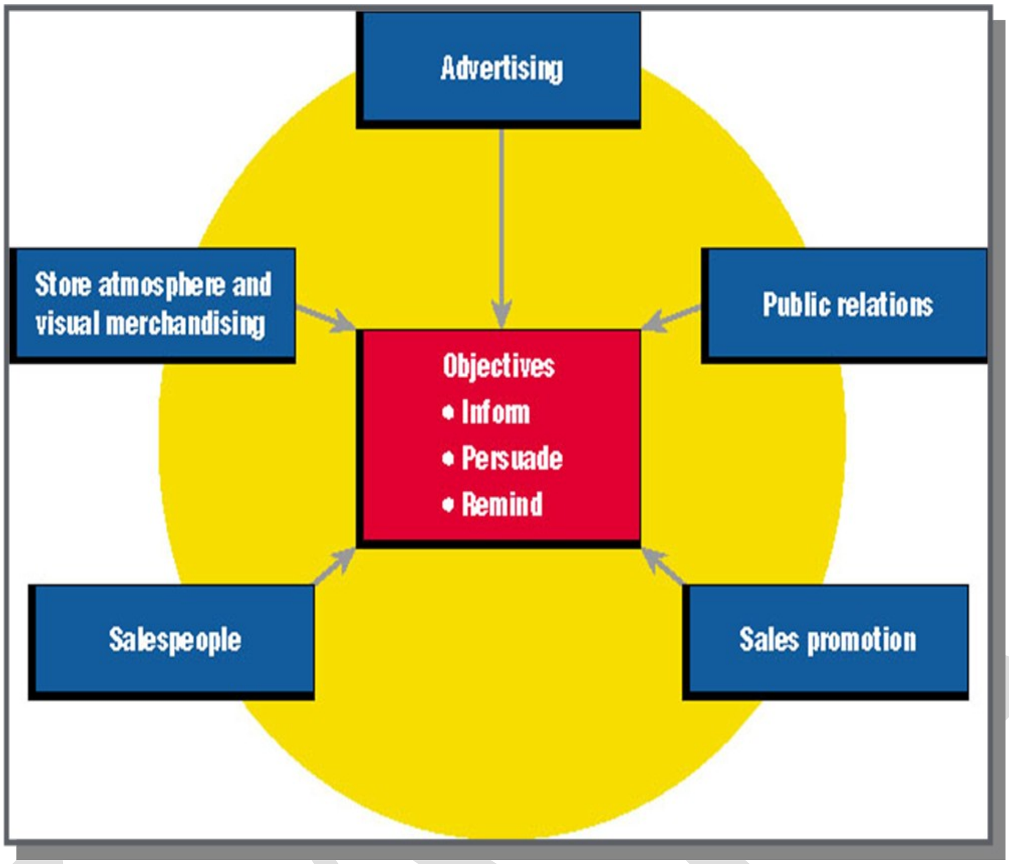
The marketing communications mix (also called the promotion mix) consists of five major tools:

- **Advertising:** Any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor.
- **Direct Marketing:** Use of mail, telephone and other non personal contact tools to communicate with or solicit a response from specific customers and prospects.
- **Sales Promotion:** Short-term incentives to encourage trial or purchase of a product or service.
- **Public Relations und Publicity:** A variety of programs designed to promote and / or protect a company's image or its individual products.
- **Personal Selling:** Face-to-face interaction with one or more prospective purchasers for the purpose of making sales.
- The whole marketing mix, not just the promotional mix, must be orchestrated for maximum communication impact.

The marketing communication mix

Retailers should consider the range of communication tools that they can mix to communicate their marketing and branding messages. Advertising, sales promotion, public relations, digital marketing, direct marketing and personal selling are examples of important marketing communication tools widely used in the retail industry and other industry sectors.

Retail Communication Mix


Advertising
Store atmosphere and visual merchandising
Public relations
Objectives
• Inform
• Persuade
• Remind
Salespeople
Sales promotion

It indicates an interrelationship between the target customers, the tools and the media. This is because the tools a retailer might choose to target a particular audience will affect the media used to carry the message. It is important to note that deciding on the tools and media involves a complicated set of decisions. Indeed Davies (2001) suggested there are over 2,000 different combinations of interlinked decisions to consider that could affect marketing communication planning.

In order to make such choices, retailers need to select a *blend* of tools and media that will reach the target audience.

Each tool in the communication mix has different characteristics, which affect how they are used in conjunction with the media and communication messages.

According to Fill (2009) four important characteristics can help guide your choice of which communication tool to use for delivering particular marketing communication messages. The four characteristics are:

1. **Communication potential** – focuses on the ability of the communication tool to deliver a personal message, its audience reach and the level of interaction offered.
2. **Credibility** – refers to how the communication tool is perceived by the target audience.
3. **Cost** – includes considerations about how much of the communication budget is required to use a particular tool, ratios of cost per contact and the size of investment required to use the particular communication tool.
4. **Control** – the ability to reach specific target audiences and flexibility to adapt to changes in the communication setting.

The characteristics of each of the communication tools affect how and where they are used, based on the level of:

- Communication potential, e.g. television advertising is good at visually informing target consumers of key features and benefits, whereas sales promotions are a call to action, to encourage consumers to make a purchase for example.
- **Credibility** required (tools are perceived and valued differently by the target audience, e.g. public relations score high whereas advertising scores low).
- **Cost** which is a major consideration and the communication budget will influence the choice of communication tools.
- **Control** that is required. (In other words is the message that the target audience receives the same as the one the transmitter intended to send?)

POSSIBLE QUESTIONS – UNIT – III

PART - B

1. Explain the components of retail store operations?
2. Determine the various factors affecting retailer's growth?
3. Determine the role of human resource management in retail?
4. Elucidate the components of retail store operations?
5. Describe the role and importance of human resource management in retail?
6. Explain the concept of integrated marketing communication relevant to a retailer?
7. Describe the various tools used to measure the performance of retail industry?
8. Enumerate the retail communication mix with suitable diagram?
9. Describe the human resource challenges in retail industry?
10. Explain the retail marketing mix with suitable chart?

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**
****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

Unit IV – Servicing the Retail Customer

Servicing the Retail Customer – Retail Store Design and Visual Merchandising – Retail Management Information Systems – Supply Chain Management.

Retail customer Service

- Good service keeps customers returning to a retailer and generates positive word-of-mouth communication, which attracts new customers
- The challenge of providing consistent high-quality service offers an opportunity for a retailers to develop a sustainable competitive advantage

Customer Service Strategies

Personalized Approach

Personalized Approach encourages service provider to tailor the service to meet each customer's personal needs.

- Greater benefits to customers
- Greater inconsistency
- Higher cost

Standardized Approach

Standardization Approach is based on establishing a set of rules and procedures and being sure that they are implemented consistently.

- Lower cost
- High consistency
- Meets but does not exceed expectations

The followings are the list of services provided by the retailers to the consumer:

- The consumers are provided with a wide variety of products as the retailers stock a wide range of products produced by different firms.
- The retailers provide expert advice on the merits and uses of different products and thereby educate consumers on the product.
- As ready stock of different varieties are maintained with the retailers, the consumer is not required to maintain enough stock of the products.
- The consumers are given the facilities of purchasing according to their purchasing power since a wide range of products are maintained with the retailers.
- Retailers buy and stock goods suitable to the consumers.
- Retail shops are situated in convenient localities, usually very near to the consumers' residence.
- They sell to consumers in quantities, which suit the pockets of different individuals.
- Retailers make available to their customers goods of the sizes, styles, types, qualities and prices they prefer.
- Many retailers offer free home delivery of goods purchased.
- Many types of retailers sell goods on credit to their customers whom they know personally.
- Retailers supply information and give expert advice to consumers. Many consumers would not know that new products are available, if retailers do not bring this to their notice.
- Many retailers visit their customers to collect orders and make enquiries about the goods supplied earlier.

Servicing the Retail Customer

Listening to customers must become everyone business. With most competitors moving ever faster, the race will go to those who listen most intently. While this is true for all businesses, it has special relevance for retail.

Retail today is a part of the service sector. This is largely due to the fact that today, retailers operate in a buyers market. Today's consumer is a savvy shopper with an eye for price, service and convenience. He demands a lot and if the store fails to meet his expectations, he would rather shop elsewhere. The word has moved on from the age of customer satisfaction to the age of customer delight, where organizations are remodeling their strategies around the customer and his needs, with the aim of bringing him back and keeping him for life.

The entire function of customer service needs to be understood from two perspectives. The first deals with the backend, which determines the activities undertaken to define the standards of service offered, the measurement and quality control processes and the personal responsibilities. This also includes post – transaction activities.

The second is the one that directly deals and interacts with the customers. Here the role played by the salespersons becomes important. Their communication skills and product knowledge and training are important.

Customer service as a part of the retail strategy

- Identifying the key customers and listening and responding to them
- Define superior service and establish a service strategy
- Set standards and measure of performance
- Select, train and empower employees to work for the customer
- Recognize and reward accomplishments

1. Identifying the key customers and listening and responding to them

Retailer cannot be everything to everybody, the expectation of various classes of customers is bound to be different. The retailer needs to identify its customers and priorities them. Once the organization has identified its key customers, it is easier to understand their buying habits and occasions for purchase and then service them accordingly.

Listening to customers helps the organization understand the moments of truth and the service experiences that they have had. Customer hotlines, comments, customer complaints and interactions with the sales staff are all methods by which a retail organization can listen to what the customers have to say. Customer's complaints and suggestions are a powerful tool for developing product improvements and introducing new services.

2. Define superior service and establish a service strategy

A strategy created needs to have goals specified and the method by which these goals can be achieved spelled out. In order to provide superior service, the parameters of such service have to be defines first. These parameters have to be clearly defined and communicated to the persons within the organizations.

3. Set standards and measure of performance

After having identified the key customers and their expectations and linking that to the business objectives arises the need for a system to capture, analyze, measure and track the performance of an organization on various parameters.

Setting standards for performance ensures compliance with the targets and it also helps improve credibility every time the standers are met and suppressed. This is the stepping stone to customer delight. At the same time an inability to meet the targets helps identify gaps in service that can then be rectified.

4. Select, train and empower employees to work for the customer

In order to be able to provide customer service the retailer needs to create workforce of employees who are dedicated and empowered to make decisions. Training needs to be on customer skills, communication and product skills. Empowering employees to take decisions is a method of vesting with them a large amount of responsibility. Customers who typically return goods to a store or are dissatisfied when product or service are bound to get more disillusioned if management authorization is needed for the action to be taken.

5. Recognize and reward accomplishments

While money is an important factor for most individuals, recognition of the work done and praise can go long way in motivating employees to put in their best. The retail organization needs to lay special emphasis on this as in most cases the face of the retail organization to the customer is the salesperson.

Rewards do not have to be monetary they can be symbolic like holidays lapel pins etc. in the retail environment it is necessary that the frontline staff are ambitious about providing a superior level of service to their customers.

Store Design

Store design is the architectural character or decorative style of a store that conveys to the customer “what the store is all about.” Stores vary so much in kind, size, and geographical location that it is difficult to generalize about design. The architecture of the store’s exterior creates an initial impression. For example, if a retailer chooses to remodel an older Victorian home, the customer will get a different impression from that of a store in the mall. The remainder of the 1990s will likely see design continue to be less concerned with aesthetics and more concerned with establishing an identity and marketing a store image. Key issues like the 1990 Americans with Disabilities Act and state/local ordinances will continue to affect retail design, as our population ages and becomes more diverse. Because of continued pressure on costs, newer designs reflect a closer attention to all details including store size. The drive to reduce inventory levels has forced a move to smaller stores, because a large store with less merchandise looks as though it is going out of business. The stores showing an increase in store size are those attempting to diversify and broaden merchandise lines. Higher rents, building costs, and the more localized stores because of the customer's desire for convenience hurt larger, stand-alone and regional mall stores. Let us look at the planning process.

General Requirements in Store Design

The first step of store design is the development of a comprehensive plan for the overall requirements of the store. Based on market potential (the sales estimate and dollars received per square foot of selling area) plans can be made to meet the need for storage and selling space. The plan must specify the ways to achieve the best traffic circulation possible throughout the store and the types and sizes of fixtures necessary to display the merchandise in an appealing manner. A careful study of these factors helps make stores attractive, conducive to shopping, and as operationally efficient as possible. Comprehensive planning requires developing a customer –bases holistic focus for the design and layout of the store and for the desired store image. Only after this customer focus is defined should a comprehensive plan be developed for both the exterior and interior of the store that matches the desired store image.

1. Customer Focus

The focus of a store design should always be the customer. If the store design and layout are appealing, the customer will also form an appealing image. It is easy to get into the technical aspects of store design and forget that the retailer's reason for existence is the customer. The design should be focused on forming and maintaining an image, while at the same time making the layout as accessible as possible for shoppers. Research should determine the needs, habits, and buying potential of the shoppers in the area and the need for store service and overall general customer comfort. Management must then determine the overall image that would best differentiate the store and attract the target market.

2. Store Image

A comprehensive plan would include a process for community obtaining customer feedback regarding improvements and for continuously updating the design to reflect changing customer needs and wants. A store design serves two, often opposing, functions. First, and foremost, the design serves the functional purposes of protecting, enclosing, and displaying merchandise, while at the same time serving as a central location where customers can find the merchandise that they seek during convenient times. The second purpose relates to the symbolic needs of the customer. This includes the social aspects of shopping or owning a particular good from a particular store. The symbolic aspects of the store are anything that contributes to the overall store image. This may include environmental aspects, such as store atmosphere, or physical aspects, such as brand name products.

When customers enter a store, they want the displays and departments to tell them all about the store. The image the store is attempting to project should be immediately obvious to potential customers. If the store wants price as the predominant image, departments emphasizing this aspect should be placed near the entrance. Managers should give the best space to the departments that say to the customer, “This is what I am”.

3. Holistic Approach

A store’s design should match the store’s character. This means that consideration should be given to the type of store image the merchant hopes to project. It includes exterior design and interior arrangements for selling and non selling activities. In addition, the design should match with that of other stores around it; it should also enhance the salability of the merchandise within the store and be in good taste. The store design should have a single theme or image throughout. Attempts to create several images often lead to greater competition. This is because the retailer is no longer competing against stores within a single image category, but instead with stores in several categories.

4. Technology and Planning

Store designs are becoming more complex as new formats evolve. For this and efficiency reasons, it is becoming more common to rely on technology to assist in developing a store layout design. Computer-aided design (CAD) helps plan stores that more space-efficient. Planning can be done quickly and changes are easy to make. New construction design for a 200,00-squre-design software and hardware.

In the store itself, new combinations of interactive and multimedia technologies will change the way retailers design for direct customer contact and information assistance. For example, a self-service concept store may be developed where kiosks replace sales associates, providing product information and updates on availability of merchandise.

Retailers will likewise be exploring creative linkages between participation in electronic home shopping channels and in-store selling. By interactive technologies, consumers will be able to view merchandise choices at home, make product selections, and conclude the purchase transaction. They will be able to choose whether to wait and receive their purchases through transportation carriers or to proceed directly to the retailer's store or depot where the merchandise will be ready for pickup.

Objectives of a Good Store Design

Some objectives for a store design are to

(1) Implement the retailer's strategy,

(2) Influence customer buying behavior,

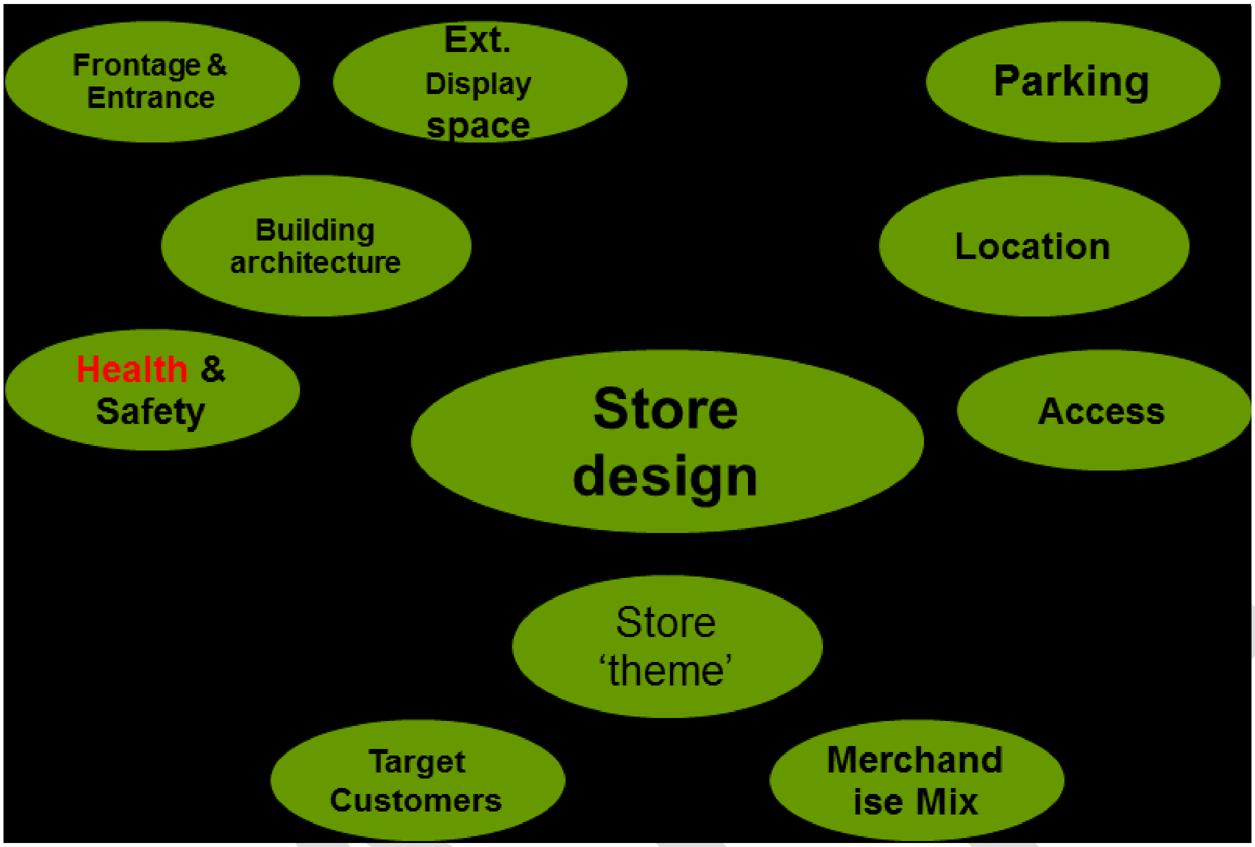
(3) Provide flexibility,

(4) Control design and maintenance costs, and

(5) Meet legal requirements

Elements of store design

Typically, a store design cannot achieve all of these objectives, so managers make trade-offs among objectives, such as providing convenience versus encouraging exploration.



Store Design should

- Be consistent with image and strategy
- Positively influence consumer behaviour
- Consider costs versus value
- Be flexible
- Recognize the needs of the disabled

Creating a Store Image

Store Image serves a critical role in the store selection process

1. Important criteria include cleanliness, labeled prices, accurate and pleasant checkout clerks, and well-stocked shelves
2. The store itself makes the most significant and last impression

In sum, once the prospective customers are inside the store, they should be converted into customers buying merchandise.

1 The more merchandise customers are exposed to that is presented in an orderly manner, the more they tend to buy

2 Retailers should focus more attention on in-store marketing 'expensive' spent in the store, in the form of store design, merchandise presentation, visual displays, and in-store promotions, should lead to greater sales and profits (because it is easier to get a consumer in your store to buy more merchandise than planned than to get a new consumer to come into your store).

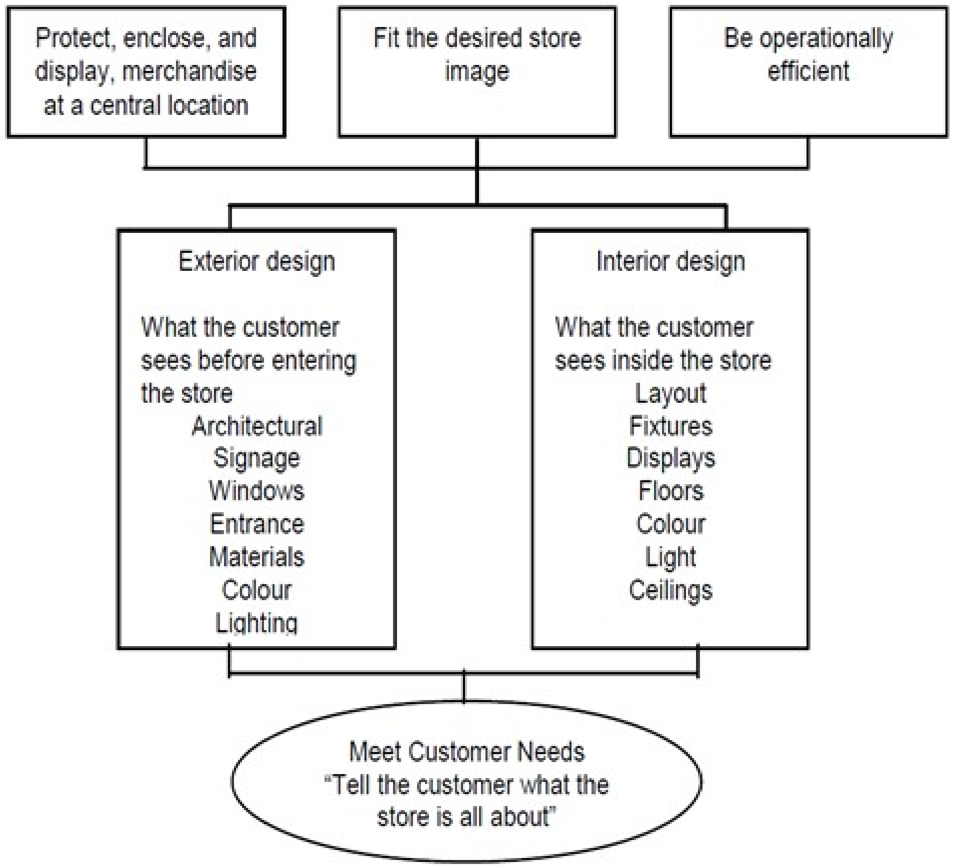
Creating a Buying Environment

Creating a buying Environment means designing an environment through:

- ❖ Visual communications
- ❖ Lighting
- ❖ Colour
- ❖ Sound
- ❖ Scent

To stimulate customers' perceptual and emotional responses and ultimately influence their purchase behaviour.

Store Exteriors and Interiors Design



Store Exteriors

The store exterior is often called the storefront, and it includes the store sign, display windows, entrances, outdoor lighting, landscaping, and the building itself.

The design of a business's exterior is often part of the place decision. The location often influences a store's image.

The store sign is a major element of a store exterior. Many businesses develop a unique way of writing the company name, often with design elements. The display windows show a

Selection of merchandise available in the store. Store exterior comprises the following:

- Location
- Parking

- Ease of access
- The building architecture
- Health and safety standards
- Store windows, lighting

Store Interiors

A store interior is usually divided into two sections: the selling area and the sales support area. The selling area is where the merchandise is presented to the customer. Selling area includes shelves, racks holding merchandise, displays, cash registers, etc.

The sales support area contains amenities for customers, such as restrooms, lounges, and cafes. It also includes staff areas and space for merchandise receiving and storage. Store interior includes the following:

- Fixtures
- Flooring & Ceilings
- Lighting
- Graphics & Signages
- Atmospherics

Following are the interior design elements considered in a retail store:

1) **Fixtures**: Fixtures are primarily used to hold and display the merchandise, help to sell it, to guard it and to provide storage space for it. They come in different styles colours, sizes and textures to enhance the image of the merchandise displayed on it.

1 Straight rack: It consists of a long pipe suspended with supports going to the floor or to the wall.

2 b) Rounder: As the name specifies it is a round fixture arrangement that sits on a pedestal. It is also known as bulk fixture or capacity fixture because it holds maximum number of merchandise.

1 Four way fixture: Which is also known as feature fixture has two crossbars that sit perpendicular to each other on a pedestal.

2 Gondolas: These are extensively used in grocery and discount stores.

2) **Displays**: an attractive and a creative display create interest and can help to sell the merchandise.

To ensure the effectiveness of the displays the following factors are to be considered:

3 Balance: In building a display, it is important to make sure that it is in balance. This is achieved by arranging the products in a systematic manner. Formal balance is achieved by arranging the similar items at equal distance from the center. Informal balance is achieved by placing different size goods or objectives away from the center based on their relative size.

4 Dominance: All displays should have a central point that will attract the viewer's eye. Ex: Display of titan watches.

5 Eye movement: Displays should direct the eyes away from the point of dominance in a systematic fashion, instead of encouraging them to jump from one end to the other.

6 Gradation: The gradation is the sequence in which items are arranged. For example small items are placed in the front row, medium in next and bigger items at the back rows. This creates a sequential display with appealing illusion.

7 Height of merchandise: Merchandise that has the greatest effect should be placed at the eye level to catch the interest of the customer.

8 Grouping the merchandise: Instead of opting for long display of merchandise, retailers should opt for grouping of merchandise which facilitates the customers and also the store's personnels. It facilitates so that the customers eyes cannot travel from group to group but stop and focus on particular product

9 g) Sales appeal: Display should always show best merchandise that the retailer has to offer. Best way to generate sales appeal is to choose the most important feature of the merchandise and focus on it.

10 h) Keep it simple: Since displays takes up the great deal of most valuable space of the store, retailer has to get best returns out of it. Too many items in a display district confuse the consumer and tend to create an atmosphere of chaos or congestion, so the display should be selective and simple.

3. **Colour:** The psychological effect of colour is important to the retailer. Intelligent use of colour is important in store design. Since people draw to warm colours, yellow, red etc can be used at the entrance to draw the customers into the stores, whereas the cool colours like blue and green tend to calm atmosphere and facilitate the smooth flow of customers in the store.

4. **Lighting:** Today lighting has become a display medium. It is an integral part of store design in store exterior and store interiors. Lighting should match with the retailer's attempt to create a bright store image.

5. Ceiling: Ceiling represents a potentially important element in the interior design. Higher the ceiling, more the space to heat and cool, at increasing energy rates. Designers are making use of varied ceiling drops to create distinction for different departments within the stores.

6) Flooring: Flooring choices are important because the covering can be used to separate departments, muffle noise in high traffic areas and strengthen the store image. Now days we see the advertisements of the products using the floor space within big malls.

7) Shelving: The material used for shelving should promote the merchandise strategy and enhance the image of the products displayed.

Store Layout Design Guidelines

Store layout is a plan that shows how the space in the store will be used. In this connection the placement of the following items will have a major effect on store image

1. The signage displaying the name and logo of the store must be installed at a place where it is visible to all, even from a distance. Too much information should be avoided.
2. The store must offer a positive ambience to the customers. The customers must leave the store with a smile.
3. Make sure the mannequins are according to the target market and display the latest trends. The clothes should look fitted on the dummies without using unnecessary pins. The position of the dummies must be changed from time to time to avoid monotony.
4. The trial rooms should have mirrors and must be kept clean. Do not dump unnecessary boxes or hangers in the dressing room.
5. The retailer must choose the right colour for the walls to set the mood of the customers. Prefer light and subtle shades.
6. The fixtures or furniture should not act as an object of obstacle. Unnecessary furniture should be avoided at the store.

1 The merchandise should be well arranged and organized on the racks assigned for them. The shelves must carry necessary labels for the customers to easily locate the products they need. Make sure the products do not fall off the shelves.

2 Music at the store should not be loud, rather it should be soothing.

   1 The store should be adequately lit so that the products are easily visible to the customers.

3 The floor tiles, ceilings, carpet and the racks should be kept clean and stain free.

4 There should be no bad odour at the store as it irritates the customers.

5 Do not stock anything

Visual Merchandising

Visual merchandising refers to the use and manipulation of attractive sales displays and retail floor plans to engage customers and boost sales activity. In visual merchandising, the products being sold are typically displayed in such as way as to attract consumers from the intended market by drawing attention to the product's best features and benefits.

Visual merchandising is the activity and profession of developing floor plans and three-dimensional displays in order to maximize sales. Both goods and services can be displayed to highlight their features and benefits. The purpose of such visual merchandising is to attract, engage and motivate the customer towards making a purchase.

Concept

The purpose of visual merchandising is to:

- Make it easier for the customer to locate the desired category and merchandise.
- Make it easier for the customer to self-select.
- Make it possible for the shopper to co-ordinate.
- Recommend, highlight and demonstrate particular products at strategic locations.
- Educate the customer about the product in an effective and creative way.

Techniques

Visual merchandising builds upon or augments the retail design of a store. It is one of the final stages in setting out a store in a way customers find attractive and appealing.

Notes

Many elements can be used by visual merchandisers in creating displays including colour, lighting, space, product information, sensory inputs (such as smell, touch, and sound), as well as technologies such as digital displays and interactive installations.

Tools

A planogram allows visual merchandisers to plan the arrangement of merchandise by style, type, size, price or some other category. It also enables a chain of stores to have the same merchandise displayed in a coherent and similar manner across the chain

Forms

Window displays**:** Window displays can communicate style, content, and price. Display windows may also be used to advertise seasonal sales or inform passers-by of other current promotions.

Food merchandising**:** Restaurants, grocery stores, and convenience stores use visual merchandising as a tool to differentiate themselves in a saturated market.

Visual Merchandising: Role and Influence as a Communication Tool

Some businesses maintain a minimum staff to reduce costs, which means it is even more important for the merchandise to sell itself. Greater effort must be spent on merchandise displays that make it easier for the customer to find and purchase the items they want or need. The basic objective for visual merchandising is a desire to attract customers to a place of business in order to sell the merchandise. Visual merchandising is offered to the customer through exterior and interior presentation. Each should be coordinated with the other using the store's overall theme. Creating and maintaining a store's visual merchandising plan, however, is not a simple task. It is necessary to continuously determine what the customer sees. This evaluation from the customer's perspective should start on the exterior and work completely through the interior of the store.

The art of increasing the sale of products by effectively and sensibly displaying them at the retail outlet is called as visual merchandising.

Visual merchandising refers to the aesthetic display of the merchandise to attract the potential buyers, prompt them to buy and eventually increase the sales of the store. In simpler words, visual merchandising is the art of displaying the merchandise to influence the consumer's buying behavior.

The store must offer a positive ambience to the customers, so that they will enjoy their shopping.

The location of the products in the store has an important role in motivating the consumers to buy them. Sensible display of the merchandise goes a long way in influencing the buying decision of the individual.

Proper Space, lighting, placing of dummies, colour of the walls, type of furniture, music, fragrance of the store all help in increasing the sale of the products.

Lighting is one of the critical aspects of visual merchandising. Lighting increases the visibility of the merchandise kept in the store. The store should be adequately lit and well ventilated. Harsh lighting should be avoided as it blinds the customers who walk into the store.

The signage displaying the name of the store or other necessary information must be installed properly outside the store at a place easily viewable to the customers even from a distance.

The retailer must be extremely cautious about the colour of the paint he chooses for his store. The paint colour can actually set the mood of the customers. The wall colours must be well coordinated with the carpet, floor tiles or the furniture kept at the store. Dark colours make the room feel small and congested as compared to light and subtle colours.

The store must always smell good. Foul smell irritates the consumers and he would walk out of the store in no time. Use room fresheners for a pleasant environment.

The merchandise must be properly placed in display racks or shelves according to size and gender. Put necessary labels (size labels) on the shelves as it help the customers to locate the products easily. Make sure the products do not fall off the shelves as it gives a messy look.

Need for Visual Merchandising

Visual Merchandising helps the customers to easily find out what they are looking for. It helps the customers to know about the latest trends in fashion.

The customer without any help can actually decide what he intends to buy. It increases the sales of the store and results in increased level of customer satisfaction.

The customers can quickly decide what all they need and thus visual merchandising makes shopping a pleasant experience.

Visual merchandising gives the store its unique image and makes it distinct from others. Visual merchandising, once an unknown skill, is growing popular nowadays with the introduction of self service in retail stores off late and the number of changes taking place in supermarket merchandising methods, there has been increased emphasis on the kind of store layout, store building, fixtures, and equipment, color displays, silent communication tools, window display and finally opinion building through in-store displays which has taken the art of retailing to higher applications frames.

Critical issues of visual merchandising

a. **Graphics and signage:** Attention grabbing yet clear graphics by way to visually communicate the brand and these graphics when compiled with the right signage become the stalls complete instruction manual.

b. **Trends and moot boards:** This is misunderstood by many as mere decorations for the stall. The brand sources and moot boards convey the source, in fact the meer need of the product for the consumer to the buyer. A good trend story board display can exhibit a thought process nursing for the inspirations (research, to swatch development of the final usage of the product.

c. **Space management:** Most displays concentrate on the floor management of space. In order to create a complete desired ambience the ceiling space should also be given enough attention. Walls are not elastic space should be allocated to the available products as per the expectation of the customers to deliver best results.

The major issues of space management are:

1 How do we want our ranges to look?

2 Hanging/ stocked/ customers etc.

3 What stock density do you want to achieve?

d. Numeric and visuals: Numeric planning system simply allows users to account of space available and to calculate the ratios like returns on space. Visual systems allow users to create three dimensional walk through models of the stores and to preview the look of a store once ranging decisions have been made.

e. Dresiforms and mannequins: The dresiforms communicate the 3 dimensional form of the product. Along with the fit a good mannequin can also be customized to communicate characters, for example, special kids wear mannequins with caricatured faces convey the playful mood of the collections.

f. Synergy among the different stalls: A stall look should complement the mood the whole fair too; be it a color scheme or some material used should also be incorporated in the stall.

g. Out of the box thinking: With so many stalls around, it sometimes focus some stock value to grab the attention of the buyers. Innovative ideas in displaying the mannequins, swatches etc can invite many more people to the stall.

h.Merchandise planning: The first function of merchandising planning is making a strategic plan, which is normally for five years or more and is used to set the critical success factors for merchandising in terms of sales, margins and stocks. In other words, merchandising planning is a systematic approach and aiming at maximizing return on investment, through planning sales and inventory in order to increase profitability.

i. Range planning: Begin with assortment plan. In assortment plan, the goal of merchandise plan are divided into specific lines in such a way that the division results in the increase of overall marginal mix. Then a distributions planning is done. The link between available physical space and ranging done here is a key determinant of merchandising performance.

Retail Management Information Systems

Retail management involves running a store where merchandise is sold. Retail management information systems include the use of hardware, software and procedures to manage activities such as planning, inventory control, financial management, logistics and point of sale transactions. Use a retail management information system in your business when you need to manage your store, finances and inventory from one office.

If the retailer is on top of above information, then he would be able manage his business efficiently. In the current scenario, large retailers have their shop across physical geographies. For them, it becomes very important to centrally manage all shops. Retail management information system precisely does this with help of hardware, software, database and various modules.

Objectives

The objective of the retail information systems is as follows:

- An information system should provide relevant information to retail manager regularly.

- An information system should anticipate needs and requirement of the retail manager.
- An information system should be flexible enough to incorporate constant evolving needs of the consumer market.
- An information system should be able to capture, store and organize all the relevant data on a regular and continuous basis.
- The retail Information systems should be aligned with strategic and business plans of the organization. Therefore, it should be able to provide information, which supports and drives this objective.

Characteristics of Retail Information System

The retail information system should have following characteristics:

- Retail Information systems Information systemsRetail Information systems should connect all the stores under the company's
- Retail information system should allow instant information exchange between stores and management.
- Retail information system should handle the various aspect of product management.
- Retail information system should handle customer analysis.
- Retail information system should allow the store manager flexible pricing over a financial year
- Retail management information systems support distributed stores by linking them.
- By allowing the instant exchange of information, store managers can stay in contact to more effectively control profits for the whole company.
- The system should support product management.

- It should also enable detailed analysis of customer data. A flexible system allows managers to set prices for variable time periods based on the store location.
- To meet the needs of sales and inventory managers, retail management information systems include a mobile user interface.

Functions

- Supporting the basic functions of procurement, storage and delivery, a retail management information system allows a manager to manage customers, inventory, suppliers and product sales.
- The system allows you to track purchase orders and update inventory records dynamically. You can analyze cash, check and credit card transactions to reconcile information. Improve efficiency by examining overage and shortages to reveal trends that can be rectified.

Types

Retail management information systems can be customized for each industry, including, for example, fashion, department store, supermarket, furniture or prescription drugs. Some systems support multiple languages, currencies, tax systems and cost structures. In addition, some retail management information systems can support different business models such as franchise, consignment, direct sales or online.

Benefits

- Integration between payments, inventory and transactions improves operations and reduces costs by preventing duplicate entries.
- By tracking inventory effectively you can more quickly respond to customer requests. By being able to respond expediently you can also improve service, expand your customer base and increase profits.

- Accessing data easily allows you to identify opportunities to improve waste reduction, recycling materials and choosing environmentally friendly packaging. These strategies enable a profitable business.
- System safeguards ensure adherence to legal restrictions on pricing, promotion and other policies.

Supply chain management

Supply chain management (**SCM**) is "the systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole."[2] It has also been defined as the "design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally.

Commonly accepted definitions of supply chain management include:

- The management of upstream and downstream value-added flows of materials, final goods, and related information among suppliers, company, resellers, and final consumers
- The systematic, strategic coordination of traditional business functions and tactics across all business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole[7]
- A definition is given by Hines (2004:p76): "Supply chain strategies require a total systems view of the links in the chain that work together efficiently to create customer

satisfaction at the end point of delivery to the consumer. As a consequence, costs must be lowered throughout the chain by driving out unnecessary expenses, movements, and handling. The main focus is turned to efficiency and added value, or the end-user's perception of value. Efficiency must be increased, and bottlenecks removed. The measurement of performance focuses on total system efficiency and the equitable monetary reward distribution to those within the supply chain. The supply chain system must be responsive to customer requirements."[8]

- The integration of key business processes across the supply chain for the purpose of creating value for customers and stakeholders (Lambert, 2008)[9]
- According to the Council of Supply Chain Management Professionals (CSCMP), supply chain management encompasses the planning and management of all activities involved in sourcing, procurement, conversion, and logistics management. It also includes coordination and collaboration with channel partners, which may be suppliers, intermediaries, third-party service providers, or customers. Supply chain management integrates supply and demand management within and across companies. More recently, the loosely coupled, self-organizing network of businesses that cooperate to provide product and service offerings has been called the Extended Enterprise.
- According to the AIMS' Institute of Supply Chain Management, it is a management of a global network used to deliver products and services from raw materials to end customers through an engineered flow of information, physical distribution, and cash.
- **Supply Chain Management (SCM)** is the management of the relationship between the supplier's supplier and the customer's customer through the supply chain participants

(Distributor/Wholesaler and Retailer) between them, mainly using information flow and logistics activities to gain Competitive advantage and customer satisfaction.

Retail Supply chain management

Retail Supply chain management for retail companies strives to control product quality, inventory levels, timing, and expenses. A clear supply chain strategy with differentiated service offerings and delivery terms is essential to optimizing the balance of cost and required customer service. An integrated approach considering supply, production, transportation, operations and service is crucial to design the most competitive retail logistics concept for your company. Miebach Consulting Group has extensive experience designing and implementing innovative solutions for the largest fast moving consumer goods and retail companies worldwide.»

Trends in Logistics for Fast Moving Consumer Goods & Retail

- Enable collaboration between all partners of the supply chain: vendors, production plants, transportation and retail
- Globalization of the retail supply chain with increasingly important issues such as risk management, response and leadtime
- Optimization on local and regional level, introducing concepts such as crossdocking, just in time delivery, milk run
- Enhancing visibility of product flows through track and trace, Radio Frequency Identification (RFID) technology

Miebach Consulting Services

- Supply Chain analysis and audit, to identify quick wins and potential improvements
- Design and implementation of customized distribution networksfor retail

- Material handling engineering for plant warehouses and distribution centers
- Project management, start-up and fine-tuning of logistics facilities
- Training of operators
- Activity based costing, demand and inventory planning

Functions

SCM is a cross-functional approach that includes managing the movement of raw materials into an organization, certain aspects of the internal processing of materials into finished goods, and the movement of finished goods out of the organization and toward the end consumer. As organizations strive to focus on core competencies and becoming more flexible, they reduce their ownership of raw materials sources and distribution channels. These functions are increasingly being outsourced to other firms that can perform the activities better or more cost effectively. The effect is to increase the number of organizations involved in satisfying customer demand, while reducing managerial control of daily logistics operations. Less control and more supply chain partners led to the creation of the concept of supply chain management. The purpose of supply chain management is to improve trust and collaboration among supply chain partners, thus improving inventory visibility and the velocity of inventory movement.

Main functions of Supply Chain Management are as follows:

- Inventory Management
- Distribution Management
- Channel Management

- Payment Management
- Financial Management
- Supplier Management
- Transportation Management
- Customer Service Management

Creation era

The term "supply chain management" was first coined by Keith Oliver in 1982. However, the concept of a supply chain in management was of great importance long before, in the early 20th century, especially with the creation of the assembly line. The characteristics of this era of supply chain management include the need for large-scale changes, re-engineering, downsizing driven by cost reduction programs, and widespread attention to Japanese management practices.

Integration era

This era of supply chain management studies was highlighted with the development of electronic data interchange (EDI) systems in the 1960s, and developed through the 1990s by the introduction of enterprise resource planning (ERP) systems. This era has continued to develop into the 21st century with the expansion of Internet-based collaborative systems. This era of supply chain evolution is characterized by both increasing value added and cost reductions through integration.

A supply chain can be classified as a stage 1, 2 or 3 network. In a stage 1–type supply chain, systems such as production, storage, distribution, and material control are not linked and are independent of each other. In a stage 2 supply chain, these are integrated under one plan and is ERP enabled. In a stage 3 supply chain is one that achieves vertical integration with upstream suppliers and downstream customers. An example of this kind of supply chain is Tesco.

Globalization era

The third movement of supply chain management development, the globalization era, can be characterized by the attention given to global systems of supplier relationships and the expansion of supply chains over national boundaries and into other continents. Although the use of global sources in organisations' supply chains can be traced back several decades (e.g., in the oil industry), it was not until the late 1980s that a considerable number of organizations started to integrate global sources into their core business. This era is characterized by the globalization of supply chain management in organizations with the goal of increasing their competitive advantage, adding value, and reducing costs through global sourcing.

Specialization era (phase I): outsourced manufacturing and distribution

In the 1990s, companies began to focus on "core competencies" and specialization. They abandoned vertical integration, sold off non-core operations, and outsourced those functions to other companies. This changed management requirements, by extending the supply chain beyond the company walls and distributing management across specialized supply chain partnerships.

This transition also refocused the fundamental perspectives of each organization. Original equipment manufacturers (OEMs) became brand owners that required visibility deep into their supply base. They had to control the entire supply chain from above, instead of from within. Contract manufacturers had to manage bills of material with different part-numbering schemes from multiple OEMs and support customer requests for work-in-process visibility and vendor-managed inventory (VMI).

The specialization model creates manufacturing and distribution networks composed of several individual supply chains specific to producers, suppliers, and customers that work together to design, manufacture, distribute, market, sell, and service a product. This set of partners may change according to a given market, region, or channel, resulting in a proliferation of trading partner environments, each with its own unique characteristics and demands and risk involved in it.

Specialization era (phase II): supply chain management as a service

Specialization within the supply chain began in the 1980s with the inception of transportation brokerages, warehouse management, and non-asset-based carriers, and has matured beyond transportation and logistics into aspects of supply planning, collaboration, execution, and performance management.

Market forces sometimes demand rapid changes from suppliers, logistics providers, locations, or customers in their role as components of supply chain networks. This variability has significant effects on supply chain infrastructure, from the foundation layers of establishing and managing electronic communication between trading partners, to more complex requirements such as the configuration of processes and work flows that are essential to the management of the network itself.

Supply chain specialization enables companies to improve their overall competencies in the same way that outsourced manufacturing and distribution has done; it allows them to focus on their core competencies and assemble networks of specific, best-in-class partners to contribute to the overall value chain itself, thereby increasing overall performance and efficiency. The ability to quickly obtain and deploy this domain-specific supply chain expertise without developing and maintaining an entirely unique and complex competency in house is a leading reason why supply chain specialization is gaining popularity.

Outsourced technology hosting for supply chain solutions debuted in the late 1990s and has taken root primarily in transportation and collaboration categories. This has progressed from the application service provider (ASP) model from roughly 1998 through 2003, to the on-demand model from approximately 2003 through 2006, to the software as a service (SaaS) model currently in focus today.

Supply chain management

Building on globalization and specialization, the term "SCM 2.0" has been coined to describe both changes within supply chains themselves as well as the evolution of processes, methods, and tools to manage them in this new "era". The growing popularity of collaborative platforms is highlighted by the rise of TradeCard's supply chain collaboration platform, which connects multiple buyers and suppliers with financial institutions, enabling them to conduct automated supply-chain finance transactions.

Supply chain business process integration involves collaborative work between buyers and suppliers, joint product development, common systems, and shared information. According to Lambert and Cooper (2000), operating an integrated supply chain requires a continuous information flow. However, in many companies, management has concluded that optimizing product flows cannot be accomplished without implementing a process approach. The key supply chain processes stated by Lambert (2004)[14] are:

- Customer relationship management
- Customer service management
- Demand management style
- Order fulfillment
- Manufacturing flow management
- Supplier relationship management
- Product development and commercialization
- Returns management

Best-in-class companies have similar characteristics, which include the following:

- Internal and external collaboration
- Initiatives to reduce lead time
- Tighter feedback from customer and market demand
- Customer-level forecasting

One could suggest other critical supply business processes that combine these processes stated by Lambert, such as:

a. Customer service management
b. Procurement
c. Product development and commercialization
d. Manufacturing flow management/support

e. Physical distribution

f. Outsourcing/partnerships

g. Performance measurement

h. Warehousing management

a) Customer service management process

Customer relationship management concerns the relationship between an organization and its customers. Customer service is the source of customer information. It also provides the customer with real-time information on scheduling and product availability through interfaces with the company's production and distribution operations. Successful organizations use the following steps to build customer relationships:

- determine mutually satisfying goals for organization and customers
- establish and maintain customer rapport
- induce positive feelings in the organization and the customers

b) Procurement process

Strategic plans are drawn up with suppliers to support the manufacturing flow management process and the development of new products. In firms whose operations extend globally, sourcing may be managed on a global basis. The desired outcome is a relationship where both parties benefit and a reduction in the time required for the product's design and development. The purchasing function may also develop rapid communication systems, such as electronic data interchange (EDI) and Internet linkage, to convey possible requirements more rapidly. Activities related to obtaining products and materials from outside suppliers involve resource planning, supply sourcing, negotiation, order placement, inbound transportation, storage, handling, and quality assurance, many of which include the responsibility to coordinate with suppliers on matters of scheduling, supply continuity, hedging, and research into new sources or programs.

c) Product development and commercialization

Here, customers and suppliers must be integrated into the product development process in order to reduce the time to market. As product life cycles shorten, the appropriate products must be developed and successfully launched with ever-shorter time schedules in order for firms to remain competitive. According to Lambert and Cooper (2000), managers of the product development and commercialization process must:

1. coordinate with customer relationship management to identify customer-articulated needs;
2. select materials and suppliers in conjunction with procurement; and
3. develop production technology in manufacturing flow to manufacture and integrate into the best supply chain flow for the given combination of product and markets.

d) Manufacturing flow management process

The manufacturing process produces and supplies products to the distribution channels based on past forecasts. Manufacturing processes must be flexible in order to respond to market changes and must accommodate mass customization. Orders are processes operating on a just-in-time (JIT) basis in minimum lot sizes. Changes in the manufacturing flow process lead to shorter cycle times, meaning improved responsiveness and efficiency in meeting customer demand. This process manages activities related to planning, scheduling, and supporting manufacturing operations, such as work-in-process storage, handling, transportation, and time phasing of components, inventory at manufacturing sites, and maximum flexibility in the coordination of geographical and final assemblies postponement of physical distribution operations.

e) Physical distribution

This concerns the movement of a finished product or service to customers. In physical distribution, the customer is the final destination of a marketing channel, and the availability of the product or service is a vital part of each channel participant's marketing effort. It is also through the physical distribution process that the time and space of customer service become an integral part of marketing. Thus it links a marketing channel with its customers (i.e., it links manufacturers, wholesalers, and retailers).

f) Outsourcing/partnerships

This includes not just the outsourcing of the procurement of materials and components, but also the outsourcing of services that traditionally have been provided in house. The logic of this trend is that the company will increasingly focus on those activities in the value chain in which it has a distinctive advantage and outsource everything else. This movement has been particularly evident in logistics, where the provision of transport, warehousing, and inventory control is increasingly subcontracted to specialists or logistics partners. Also, managing and controlling this network of partners and suppliers requires a blend of central and local involvement: strategic decisions are taken centrally, while the monitoring and control of supplier performance and day-to-day liaison with logistics partners are best managed locally.

Benefits of supply chain management in retail

Key Benefits of Supply Chain Management for the Retail Industry Retailing is a major part of every economy in the world, and it contributes to nearly 40 percent of the US economy. Until recently, supply chain management has been fundamentally viewed as a necessary evil, with the main focus on cost reductions.

With supply chains becoming more global, the pace of demand changes is increasing and product life cycle dwindling. The responsiveness of a company's supply and fulfillment networks becoming a more significant determinant of company success. Companies need to view their supply networks as a competitive weapon to not only deliver low costs but also effect top-line growth. This can be achieved only by exceptional responsiveness and best-in-class customer service.

Many companies are coming to the realization; however, that supply chain management can be strategic and can provide a company the opportunity to out-perform competitors. As the competition in the retailing industry in the recent past has developed enormously, the customers are now demanding more services. Retailers are therefore offering a broad variety of products at lesser prices and providing elevated levels of services in their supply chain to achieve a competitive advantage. Some of the chief benefits of supply chain management A proficient supply chain management practice facilitates the¬are listed here. retailers to reduce the inventory carrying costs. There is also a proliferation An efficient supply¬in the responsiveness to the orders of the customers. chain management helps reduce the lead time, thereby making products readily -

Effective supply chain management aids in¬accessible to the customers. enhancing all business processes, like data accuracy, operational complexity reduction, supplier selection, purchasing, warehousing and distribution for the With an efficient supply chain, retailers can provide a¬retailers, etc. Effectively¬diversity of product mix at reasonable prices to the customers. managing the supply chain solutions can help conserve operational and The use of various¬transportation costs in the retailing industry. technologies in the supply chain helps a retailer can obtain benefits of maintaining good relation with manufacturers. With the use of RFID the inventory can be tracked, and ERP aids in increasing the performance of the supply chain. The supply chain can enhance customer satisfaction, if the quality is¬ maintained throughout.Supply chain management is very important for the retail industry as it provides its services directly to the customers.Retail companies can enhance service and increase supply chain velocity by improving upstream and downstreamprocesses. Therefore an effective supply chain provides competitive advantage for all retailers.Learn more about :- evaluation system ,reverse logistics & returns management.

POSSIBLE QUESTIONS – UNIT – IV

PART - B

1. Elaborate the importance of customer service in retail sector?
2. Explain the purchaser - purveyor loyalty matrix?
3. Describe the process of customer service strategy?
4. Enumerate the communication gaps in retail industry?
5. Elucidate the various types of services provided by the retailers to the customers ?
6. Describe the various functions of supply chain management?
7. Define retail store design and discuss the components of store ?
8. Elucidate the principles and process of retail service?
9. Enumerate the need and critical issues of visual merchandising ?
10. Elaborate the process of supply chain management in retail?

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**
****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

Unit V – Applications in Retail

It Applications in Retail – Data Base Marketing – Electronic Retailing – International Retailing Trends – Ethics in Retailing – Competition Commission of India

Database marketing

Database marketing is a form of direct marketing using databases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing purposes. The method of communication can be any addressable medium, as in direct marketing.

The distinction between direct and database marketing stems primarily from the attention paid to the analysis of data. Database marketing emphasizes the use of statistical techniques to develop models of customer behavior, which are then used to select customers for communications. As a consequence, database marketers also tend to be heavy users of data warehouses, because having a greater amount of data about customers increases the likelihood that a more accurate model can be built.

There are two main types of marketing databases, 1) Consumer databases, and 2) business databases. Consumer databases are primarily geared towards companies that sell to consumers, often abbreviated as [business-to-consumer] (B2C) or BtoC. Business marketing databases are often much more advanced in the information that they can provide. This is mainly because business databases aren't restricted by the same privacy laws as consumer databases.

The "database" is usually name, address, and transaction history details from internal sales or delivery systems, or a bought-in compiled "list" from another organization, which has captured that information from its customers. Typical sources of compiled lists are charity donation forms, application forms for any free product or contest, product warranty cards, subscription forms, and credit application forms.

The communications generated by database marketing may be described as junk mail or spam, if it is unwanted by the addressee. Direct and database marketing organizations, on the other hand, argue that a targeted letter or e-mail to a customer, who wants to be contacted about offerings that may interest the customer, benefits both the customer and the marketer.

Some countries and some organizations insist that individuals are able to prevent entry to or delete their name and address details from database marketing lists.

The Changing Role of Direct Marketing

- The move to relationship marketing for competitive advantage.
- The decline in the effectiveness of traditional media.
- The overcrowding and myopia of existing sales channels.

Changing Cost Structures

- The decline in electronic processing costs.
- The increase in marketing costs.

Changing Technology

- The advent of new methods of shopping and paying.
- The development of economical methods for differentiating customer communication.

Changing Economic Conditions

The desire to measure the impact of marketing efforts.

- The fragmentation of consumer and business markets.

Shaw and Stone (1988) noted that companies go through evolutionary phases in the developing their database marketing systems. They identify the four phases of database development as:

1. mystery lists;
2. buyer databases;
3. coordinated customer communication; and
4. Integrated marketing.

Sources of data

Although organizations of any size can employ database marketing, it is particularly well-suited to companies with large numbers of customers. This is because a large population provides greater opportunity to find segments of customers or prospects that can be communicated with in a customized manner. In smaller (and more homogeneous) databases, it will be difficult to justify on economic terms the investment required to differentiate messages. As a result, database marketing has flourished in sectors, such as financial services, telecommunications, and retail, all of which have the ability to generate significant amounts of transaction data for millions of customers.

Database marketing applications can be divided logically between those marketing programs that reach existing customers and those that are aimed at prospective customers.

Consumer data

In general, database marketers seek to have as much data available about customers and prospects as possible.For marketing to existing customers, more sophisticated marketers often build elaborate databases of customer information. These may include a variety of data, including name and address, history of shopping and purchases, demographics, and the history of past communications to and from customers. For larger companies with millions of customers, such data warehouses can often be multiple terabytes in size.

Marketing to prospects relies extensively on third-party sources of data. In most developed countries, there are a number of providers of such data. Such data is usually restricted to name, address, and telephone, along with demographics, some supplied by consumers, and others inferred by the data compiler. Companies may also acquire prospect data directly through the use of sweepstakes, contests, on-line registrations, and other lead generation activities.

Business data

For many business-to-business (B2B) company marketers, the number of customers and prospects will be smaller than that of comparable business-to-consumer (B2C) companies. Also, their relationships with customers will often rely on intermediaries, such as salespeople, agents, and dealers, and the number of transactions per customer may be small. As a result, business-to-business marketers may not have as much data at their disposal as business-to-consumer marketers.

One other complication is that B2B marketers in targeting teams or "accounts" and not individuals may produce many contacts from a single organization. Determining which contact to communicate with through direct marketing may be difficult. On the other hand it is the database for business-to-business marketers which often includes data on the business activity about the respective client.

These data become critical to segment markets or define target audiences, e.g. purchases of software license renewals by telecom companies could help identify which technologist is in charge of software installations vs. software procurement, etc. Customers in Business-to-Business environments often tend to be loyal since they need after-sales-service for their products and appreciate information on product upgrades and service offerings. This loyalty can be tracked by a database.

Sources of customer data often come from the sales force employed by the company and from the service engineers. Increasingly, online interactions with customers are providing B2B marketers with a lower cost source of customer information.

For prospect data, businesses can purchase data from compilers of business data, as well as gather information from their direct sales efforts, on-line sites, and specialty publications.

Analytics and modeling

Companies with large databases of customer information risk being "data rich and information poor." As a result, a considerable amount of attention is paid to the analysis of data. For instance, companies often segment their customers based on the analysis of differences in behavior, needs, or attitudes of their customers. A common method of behavioral segmentation is RFM (customer value), in which customers are placed into sub segments based on the regency, frequency, and monetary value of past purchases. Van den Poel (2003)[5] gives an overview of the predictive performance of a large class of variables typically used in database-marketing modeling.

They may also develop predictive models, which forecast the propensity of customers to behave in certain ways. For instance, marketers may build a model that ranks customers on their likelihood to respond to a promotion. Commonly employed statistical techniques for such models include logistic regression and neural networks.

Laws and regulations

As database marketing has grown, it has come under increased scrutiny from privacy advocates and government regulators. For instance, the European Commission has established a set of data protection rules that determine what uses can be made of customer data and how consumers can influence what data are retained. In the United States, there are a variety of state and federal laws, including the Fair Credit Reporting Act, or FCRA (which regulates the gathering and use of credit data), the Health Insurance Portability and Accountability Act (HIPAA) (which regulates the gathering and use of consumer health data), and various programs that enable consumers to suppress their telephones numbers from telemarketing.

Advances in database marketing

While the idea of storing customer data in electronic formats to use them for database-marketing purposes has been around for decades, the computer systems available today make it possible to gain a comprehensive history of client behavior on-screen while the business is transacting with each individual, producing thus real-time business intelligence for the company. This ability enables what is called one-to-one marketing or personalization.

Today's Customer Relationship Management (CRM) systems use the stored data not only for direct marketing purposes but to manage the complete relationship with individual customer contacts and to develop more customized product and service offerings. However, a combination of CRM, content management and business intelligence tools are making delivery of personalized information a reality.

Marketers trained in the use of these tools are able to carry out customer nurturing, which is a tactic that attempts to communicate with each individual in an organization at the right time, using the right information to meet that client's need to progress through the process of identifying a problem, learning options available to resolve it, selecting the right solution, and making the purchasing decision.

Because of the complexities of B2B marketing and the intricacies of corporate operations, the demands placed on any marketing organization to formulate the business process by which such a sophisticated series of procedures may be brought into existence are significant. It is often for this reason that large marketing organizations engage the use of an expert in marketing process strategy and information technology (IT), or a marketing IT process strategist. Although more technical in nature than often marketers require, a system integrator (SI) can also play an equivalent role to the marketing IT process strategist, particularly at the time that new technology tools need to be configured and rolled out.

Challenges and limitation of database marketing

While real-time business intelligence is a reality for select companies, it remains elusive to many as it is dependent on these premises: the percentage of the business that is online, and the degree of level of sophistication of the software. Technology companies like Google, Dell, and Apple are best positioned to capitalize on such intelligence. For other companies, more traditional methods still apply, either to maintain communication with an existing customer base (retention) or, as a more established growth driver, to build, acquire or rent new databases (acquisition). A major challenge for databases is the reality of obsolescence - including the lag time between when data was acquired and when the database is used. This problem can be addressed by online and offline means including traditional methods. An alternative approach is real-time

E-Tailing

If few years back technology brought the shopping information on to the laptops, today it brings the products right to the doorstep. With the use of internet as a medium a person can buy products from a virtual store (shopping website). Though detractors to this technological advancement thought that this would take the joy off shopping, it has only added a whole new perspective to shopping.

Meaning of E-Tailing

The word E-tail has its roots in the word ‘retail’. Here the letter E stands for ‘electronic’ since the shopping process happens through the electronic media (internet). With the use of a web-space a virtual shop is created and the products are displayed through images in this space with the features and price tags. By accessing this shopping site a customer can choose his/herproducts into a cart. The payment to this product can be done in various modes as mentioned by the shopping site. The product would be delivered to the address specified by the customer.

Steps involved in E-tailing:-

The shopping process through internet media happens in 5 steps generally.

Customer visit

The customer accesses the website of the e-tailer through his/her mobile or PC or laptop. This visit is very critical to the e-tailer because it is this visit that would create an opportunity for a business. The simplicity of the site, the arrangements of the products in the site and various other factors decide the first impression of the customer.

Choice of product

Once the customer visits the site he/she would choose a product based on the image and valid information available on the web page. This information can include the price tag, details about the product, availability/deliverable time span and even customer reviews on the product.

Payment online

Once the customer chooses the product the next step would be to go through a secure process of data exchange. The e-tailer may provide a unique user account to the customer to keep the transaction safe. Payments to the product can be made online through credit or debit card or even cash on delivery basis where the customer pays the e-tailer when the product is delivered to him/her.

Product delivery

Once the order is placed with the e-tailer the next process would test the efficiency of supply chain network of the e-tailer. The delivery of the product would be based on the availability of the product in the inventory closest to the customer's delivery address. This process may also involve shipment of the product. There are different methods used in this process. Some e-tailers just create a platform through a website where the business actually takes place between the customer and a company (or business) who is a client to the e-tailer. Here the e-tailer would just take the commission on each product sold. Typically an e-tailer may also choose to buy products that have potential demand and then display it on the site. In this case the e-tailer would have to take care of inventory expenses and also the entire procurement and disbursement cycle.

Customer feedback

Once the product is delivered to the customer the feedback from the customer is very much important. This is primarily because of the absence of a real shopping store environment. The entire experience of the customer during the process would be an indicator of the efficiency of e-tailing. This experience of the customer can be accessed through proper customer service for feed backs and the problems faced by the customer should be corrected by the e-tailer. Late delivery, wrong product, damaged product etc can be some of the customer complaints which the e-tailer would have to sort out.

Benefits of e-tailing

- It reduces the space occupied by retail outlets in the real world.
- It gives quick and easy access to a shopping space at any time and from any place where there is access to internet.
- It saves time of the customer that is spent on travelling to a shopping place in real world.
- It creates a new platform for goods from different parts of the world which could be imported by placing an order.

E-tailers in India:-

- Yebhi.com
- Flipkart.com
- Infibeam.com
- Myntra.com
- E-bay.com
- Indiatimes shopping

International Retailing Trends

1. Mobil4e marketing

Consumers opt in to a retailer's mobile marketing program by giving it both mobile phone number and explicit consent to be contacted with promotional offers. The retailer thus builds a database of customers with whom it has authority to conduct real-time communications.

The communication itself often takes the form of text messages alerting the customer to new products, special deals and other promotional offers.

2. Mobile commerce.

Consumers are being given the capability through their mobile phones of shopping, checking order status, signing up for text alerts and other interactive functions. The important thing is that the retailer's mobile commerce site is optimised for a small phone screen so that the shopping experience is comparable to that of sitting at a normal computer screen.

The retailer's mobile store can also carry links to the retailer's social networking pages on sites such as Face book, MySpace, Twitter, YouTube and Flickr.

3. Green products and performance equivalence

A challenge confronting the growing number of natural product retailers in sectors such as food and cosmetics is to convince consumers that natural products are not just better for the environment but also perform with equal effectiveness to artificial products. Providing scientific evidence of product effectiveness is now a key feature of some companies' marketing campaigns. For instance, Estee Lauder's Origins division recently launched a skin-care product called Youth topia that was advertised with claims such as: "73 percent saw younger looking skin with fewer lines" and "75 percent agreed their skin felt firmer."

4. Popup Shops

These are temporary stores set up by retailers either in unconventional locations (e.g. churches or university campuses), or in vacant conventional retail space. They are used by retailers to introduce themselves into new markets where they have not yet established a real estate presence. Mainstream retailers such as Target (US), Limited, Gucci and Brooks Brothers have been using popup stores to reach new untapped communities. Increasing retail vacancy rates are creating significantly greater opportunities for popup stores.

5. **Corporate responsibility**

The issue of green and sustainable retailing is closely associated with the broader topic of corporate responsibility, which involves community involvement, charitable giving, fair trade and good working conditions for employees.

In Europe and America social responsibility is now high on the list of shopper purchase sing criteria. The best retailers believe they can no longer afford to appeal to material self-gratification alone.

6. **Customization**

Retail chains are making a greater effort to tailor merchandise assortments to local markets. However, the customisation trend runs much further than that. For example, US drug store retailer CVS offers customisable gift cards whereby visitors to its website are able to create virtual gift cards with a personalised look and feel, incorporating customer-selected colours, fonts and greetings. After selecting the dollar amount of the gift card shoppers can also specify the date, time and destination of email delivery.The virtual gift card can be printed by the recipient and brought to the store for redemption.

7. Advancing technology ahead of the point of sale

Technology went mainstream at the till a long time ago but now mobile handheld devices are being used in a variety of ways to speed the checkout process and improve the efficiency and enjoyment of the shopping experience. For example, portable terminals are now being used by some retailers that enable customers to scan items before they reach the checkout, where they simply need to pay.

These technological tools, like corporate responsibility, add to a retailer's cache and represent a genuine marketing advantage.

8. Social media

Retailers are increasingly using social media networks such as Twitter and Facebook as market research and marketing channels. The sites provide an opportunity for retailers to form and interract with communities of consumers, and to direct them to virtual or physical space or physical stores

This is the classic case of making a silk purse out of a sow's ear: use the increasing number of vacant shop windows in shopping centres to promote retailers and retailers' products.

This can often be hi-tech, involving the use of digital displays, and draw the shopper's attention to specific merchandise or promotions in a nearby store.

9. Discounting and give a ways

Surprise, they are still here despite massive inventory reductions that have created so-called "zombie stores" (stores that have large areas of vacant space and half-empty shelves). Don't expect the promotional marketing tool to be put down anytime soon.

Applications to E-tailing

Retailing focuses on the final transaction, with the business and the customer (B2C). This is in contrast with business to business transactions (B2B) which still remains the largest sector for transactions (about 80% of all transactions). Emerging sectors, are consumer to business (C2B, Example: Priceline) and consumer to consumer (C2C, Example: EBay) transactions. These sectors are able to take advantage of the hypertext nature of this medium to evolve into a potentially major sector within the retail industry. Previous to the web, these sectors played an insignificant role in retailing. Thus we will consider B2C, C2C and C2B as being retailing transactions, as they are all transactions facilitated by a business, and involving the final consumer.

We should also consider the broader impact of the web on retailing. While it may not be the facilitator for the final transaction between the customer and the business (or other customer in the case of C2C), it may still play a role. Thus when a consumer purchases a car, she may not purchase the car via the web, but may use the web to do a significant part of the research (80% of car buyers do this). Thus the web's overall impact on retailing extends beyond its total impact on transactions via the web, but also plays a role in educating the consumer to make the right choice throughout the consumer purchasing process.

Pros and Cons of E-tailing

E-tailing can be considered another form of non-store retailing. Its closest "cousin", in terms of other forms of non-store retailing, is catalog retailing. Catalog retailing accounts for about 10% of all retail transactions. It is therefore instructive to compare e-tailing to catalog retailing to gain some insight into its potential impact. Catalog retailing, which evolved over a century ago, grew rapidly in its early stages (similar to e-tailing) and it was assumed to become a very important part of the overall retailing environment. It allowed people to shop from home, when they wanted, at their own convenience. While this proved enticing for some consumers and some types of products, there appeared to be a limit to its overall impact (rapid growth to 10% of retail transactions, limited growth thereafter). Will the same happen to e-tailing?

E-tailing has certain advantages over catalog retailing:

- Customers have a much wider choice at their fingertips (many e-tail sites etc.) Thus the web creates a global bazaar style marketplace that brings together many consumers and many retailers.
- With web search capabilities (which need further development) it is easier to find the types of goods a customer is searching for, catalogs are received passively, at the behest of the retailer.
- Customers can execute transactions via the same medium the information is provided, so there is no disconnect between the desire to purchase and the ability to purchase. (Payment schemes are still evolving and therefore this advantage is likely to become more apparent in the future.)
- E-tailers can use price descrimination more efficiently than catalog retailers (which may use coupons to lower certain "fixed" prices). E-tailers can use previous transactions to identify the likelihood of products being purchased at certain price points.
- E-tailers can change the product placement (user display) based on previous transactions, to increase the visibility of goods that the user is more likely to purchase based on their close relationship with previous purchases. Thus placement can be designed based on the context of the previous purchases.

E-tailing has certain disadvantages over catalog shopping:

- Not all customers have access to the web, as they do to the postal system. This is a temporary issue as the evolution of the web continues.
- Ease of use is a problem, as the web design is still complex, or at least somewhat chaotic. E-tail stores are not standardized in design in the way catalogs and retail stores have

become. Therefore different user bahaviors (navigation schemes) need to be learned for each e-tail store. This is a temporary issue as the evolution of the web continues.

- Trust, security and privacy concerns prevail. Consumers are concerned with the use of the data they provide during transactions.
- Graphic presentation is not as compelling for the web as it can be for catalogs. This is a temporary issue as the evolution of the web continues.

E-tailing includes some advantages to the consumer that no other form of retailing can provide. The hypertext nature of the medium allows for more flexible forms of transactions (growth of C2B and C2C illustrate this point). It allows for ease of comparison across broad product categories with the evolution of shopping bots and allows for more flexible pricing mechanisms (dynamic pricing). These evolutions can create less friction in marketplaces, and therefore increase the use of the web as a retail environment. This will benefit marketers who provide products with real (perceived) value, and consumers in general. This will penalize marketers who have thrived in marketplaces that had "information" barriers to entry, where lack of information for customers restricted their choices and led to inefficient pricing and localized monopolies.

Issues that need to be Resolved for e-tailing Growth

Logistics', distribution and customer service issues

E-tailing can facilitate the transaction, but unless the transaction involves a digital product (software, music etc.) the delivery of the product needs to be considered. Many e-tailers have focused on significant marketing efforts to attract customers in order to execute transactions, but have not focused on the less glamorous, but equally important, aspect of keeping the customers, by facilitating flawless delivery. Not only is it important to follow through and make sure delivery is facilitated, but companies can use the web to enhance delivery via customer service by allowing customers to track the status of the transaction. So it is not simply a case of allowing for delivery, but enhancing the delivery experience with the web. The following customer experience with Marks and Spencer, a popular retail brand in the UK, indicates it is perhaps struggling in this area.

Once this relationship is formed (via the transaction), the e-tailer can follow up with a permission marketing program to keep the customer engaged. It is so important, in this era of high growth and increasing productivity, to be careful with scaling customer service. Customer service should be considered a profit center, since it impacts the long-term relationship of the customer with the e-tailer (rather than the short-term transaction). The process of product deliver is the first point of customer service. Customer service should be proactive to follow up to ensure delivery, satisfaction with the product, and offer a medium for the customer to dialog with the e-tailer.

Catalog retailers have typically been more successful in the early stages of e-tailing as they have similar needs in terms of distribution. In fact many e-tailers have begun to outsource their delivery systems to catalog retailers such as FingerHut, in order to capitalize on their expertise. Christmas 1999 highlighted the delivery problems of e-tailers. Since that time, more attention has been paid to this aspect of the entire transaction.

Payment issues

Credit card transactions are becoming the preferred mode of payment for the web at this point. Credit card providers take a percentage of the transaction, and this is higher for the web, than for a traditional retail store. They can rationalize this as the web is perceived as higher risk, as the e-tailer does not capture the signature of the purchaser.

Other developing payment media include:

- Smart Cards: Much discussion has taken place with regards to the development of "smart cards" in order to facilitate transactions. Smart cards would allow for smaller transactions and provide some anonymity (ensuring privacy) to the purchase if that is what the consumer is looking for. Smart Cards are a more accepted form of payment in Europe, but due to the penetration of credit cards in the US, Smart Cards have had limited impact. American Express is developing a potential player with "Blue" which includes a chip, that will allow for storage of digital data (transaction history and monetary values). The use of Smart Cards will also require a "reader" be placed on a consumer's machine for accessing the web (whether a PC or a mobile device). This additional need to the infrastructure of the web will require a significant benefit to be had from both the consumer, the e-tailers and the payment providers for adoption to occur.
- PayPal is an option that can facilitate person 2 person transactions, such as those that occur on Ebay (note, ebay now owns paypal). This option allows sites and individuals that do not accept credit cards to process transactions. For PayPal to work, both parties need to have accounts, but it is a secure online payment service, since credit cards numbers are not transmitted across the internet.

Privacy Vs Personalization Issues

There is a conflict between the need for privacy on the part of the consumer, and the need to be able to personalize the offering on the part of the e-tailer (which in turn should provide a better experience for the consumer). Finding the correct balance is problematic. E-tailing scenarios that can address this are likely to be able to make a significant impact. This also ties in with new payment systems that are developed, as the payment (transaction) is the area where the data is exchanged. Who should ultimately own that data (after the transaction) and what rules are established in terms of the use of that data, will be important.

- It is an interesting question to pose, who owns your identity? While the reasonable answer is yourself, that would imply you have complete knowledge of the use of your identity, who has access to the information, who is selling it (and are you getting paid for that transaction). Companies such as Etrust are positioning themselves as intermediaries that focus on certifying e-tailers and their use of the data that is gathered from transactions.

Design Issues

Design overall has been an issue as web designers fall short of understanding the medium and its capabilities. Amazon has understood the importance of design, throughout the transaction, and went so far as patenting its "one-click" transaction rule. (While the notion of patenting a one-click scenario may seem petty, at least it demonstrates their focus on transaction design ---but many are not impressed!) It is particularly important to focus on the flow of the transaction process, as the customer is not able to view the entire process without experiencing the process (of the transaction). Thus if the flow of the transaction creates a possible disconnect between the customer's needs to complete the transaction, the customer will abort. (Customers do, at a high rates ---some statistics suggest that approximately 20 - 30% of transactions are aborted!) A common problem with transaction flow design is the surprise shipping costs that e-tailers often do not calculate until the transaction is about to be finalized. Shopping cart technology is used to facilitate the transaction process.

Design is also important in terms of trying to sell goods that require experience. Since the web cannot facilitate experience for non-digital goods, other means need to be developed to encourage the transaction (liberal return policies and risk-free return facilities).

Global and legal issues

E-tailing exists as a global bazaar. Rules for commerce, and its legal framework, have evolved within geographically limited borders (nation, state and local laws and tax systems). For e-tailing to grow, a legal framework needs to evolve that makes sense for a global marketplace. (This is a similar issue that faces emerging economies the world over, until a legal business framework is established, companies are not encouraged to do business.) This is perhaps the most challenging aspect to overcome in order to help growth develop. Currently there is a moratorium on taxes (sales taxes) for e-tail transactions with businesses that have no physical presense. Clearly this biases against traditional retailers and those that are adopting the web, and is potentially a major source of revenue loss for states and countries which would have received those revenues.

Ethics in retailing

The ethical practices of business have become an increasingly important issue today. Retailers need to adhere to the law of the land and regulations created to monitor business and trade. The ethical position of a retailer is driven by its corporate values and business objectives. These however are inextricably linked with the social responsibility of the retailer as a corporate entity and the rights of its customers.

Ethics is a branch of philosophy that deals with values relating to human conduct, with respect to right or good and wrong or bad actions. Here ethics relates to retailers moral principles and values.

Ethics is derived from the Greek word 'ethos' which means character. Ethics in retailing pose certain critical issues. Retailing plays a vital role in the economy. The retail industry is the first link in the distribution chain, from the customer's point of view. It is therefore vital for retailers to act in an ethical manner because they affect the lives of many people.

As a consequence there are a number of areas where the responsible retailer must develop a set of values and follow it up with appropriate behavior. These can best be looked at from the perspectives of various constituencies the retailer services and the services it provides to its customers.

Customers

The retailer needs to recognize the rights of the customer to satisfy, availability of complete information, the freedom to exercise his choice, delivery of services to pre – determined service levels and have grievances heard and redressed.

While legislation to product to the consumer does exist in india, some retailers may not always follow it completely, in letter or in spirit. The consumer on the other hand, may not really be aware of his rights or due to apathy and the slow processes in the country, he may not really pursue the matter.

The rise of the electronic media as a channel of retailing also throws up the issue invasion of the customers' privacy. In the absence of privacy protection laws, marketers may regularly abuse or invade the privacy of customers.

Community and the general public

Most retailers as body corporate might contribute to charity and this is usually has some tax benefits. Some retailers will participate in community initiatives with environmental implications, such as not providing packing and carry out material that is not biologically degradable, or donations to schools etc. some retailers might take views on not making investments in other businesses that have products and services that do not meet their own criteria of acceptability, such as tobacco.

Employees

The ethical retailer will have in place, a set of employment policies and procedures that are not only complaint with employment legislation, but are also fair. It is important for the retailer to demonstrate that it does not discriminate on the basis of sex, marital/family status, religion, caste and community.

Another problem in the retail industry is employee theft. Individuals that have direct access cash inventory and the company's record keeping system, cause a significant number of losses related to acts of employee dishonesty. A retail owner needs to form a trusting relationship with his or her employees, with set guidelines and rewards for following the rules set forth from the very beginning.

Business partners

Business interactions are also subject to some legislation, however the ethical retailer needs to conduct business in a clear, transparent manner always working delivering value to potential end customers.

The unethical practices used by the retailers towards consumers are:

i. They charge full price for a sale item without the customers' knowledge.

ii. Don't tell the complete truth to a customer about the characteristics of a product.

a. Ethical practice towards consumers:

The retailers should charge fair price for the products offered to them. The consumers have the right to get correct and precise knowledge about the products sold to them in respect of warranty, guaranty, price, usage, ingredients etc. Ethics is essential for the long run of the business. Ethical business is essential in today's competitive and dynamic environment.

b. Ethical practice towards investors/shareholders:

The shareholders are the owners of the business. Shareholders must be given fair returns on their investment at regular intervals. The share holders should be disclosed with correct information about the financial status of the business organisation. The business organisation must act in the interest of the shareholders.

c. Ethical practices towards employees:

Ethical practices must also be followed towards the employees. The retail industry employs large volume of retail staff. Therefore proper policies and procedures must be framed for the employees regarding recruitment, selection, training, promotion, welfare etc.

Negative issues relating employment relations in the work place can lead to loss of reputation and customers, it leads to poor staff morale, low productivity, and high labour turnover. To avoid these confrontations the retail manager should follow ethical practices towards employees.

The Future of Retail Applications is critical for business success:

Retail Applications play into three main strategies for staying competitive in the digital age. Retailers can no longer afford to be laggards in adopting new technologies or in how software applications are implemented.

Adopting a software strategy can spur growth, shape new markets and reach new customers. Retailers have to start looking at applications as the game changer for the future by way of creating new services and offerings.

Leaders from both IT and the business must understand what it means to be a software-driven enterprise. And they must work together closely to orchestrate new business solutions to help win the digital battle and drive competitive advantage.

To win the digital battle, retailers need to fundamentally rethink how applications should be built and deployed.

Competition Commission of India

1. Intellectual Property Laws and Competition Law Policy

The study was commissioned to IIT-Kharagpur. The objective of the study was to enquire into the development of jurisprudence in India in the field of creation of intellectual property rights and competition law in general, and the impact of product patent law on India's competition policy and law, in particular. Research under this study was confined to the pharmaceutical and chemical industries in India. The study shows that there is likely to be a trend to restrict production by exclusive license since the number of exclusive licenses granted by the patent holders has increased in the course of last two years. This also has an adverse impact on the price and 'affordability'. It is suggested that a comprehensive policy on 'compulsory license' may be framed taking in view the gross abuse of dominant position by the 'patent holder' and 'the licensee'.

2. Competition Law and Indian Pharmaceutical Industry

CCI had commissioned a study to Centre for Trade and Development (Centad) to study the sector and to identify the competition issues. The study has examined issues concerning working of pharmaceutical sector both from horizontal and vertical point of view. The study highlighted that the pharmaceutical markets in India are growing at an exponential rate. However, price competition among retailers can be hardly witnessed. The drug promotion matrix reveals that there are various unfair trade practices prevailing in the industry. In fact, authoritative studies, including those by the EU competition commission have noted that pharmaceutical companies spend more on promotion and advertising and less on research and development. There is evidence of inefficient allocation of resources in the distribution of pharmaceutical products as studies available indicate that the profitability margins in the distribution chain is quite high and specially in non-DPCO drugs and non-scheduled drugs in the pharmaceutical industry in India. This has implications on competition in the sector and unfair enrichment through wealth transfers.

3. Competitive Assessment of Onion Markets in India

As part of its capacity building initiative, CCI had commissioned a study on "Competitive Assessment of Onion Markets in India" to Institute for Social and Economic Change (ISEC), Bangalore with a view to assess competitiveness in major onion markets of Maharashtra and Karnataka. The study has highlighted certain institutional facts resulting in inefficiency in agricultural markets that adversely affects not only the farmers and consumers but also the state of competition in the market. The study comes with many findings and recommendations including indications of collusion among traders in selected markets in Maharashtra and Karnataka that may result in high prices of onion. Factors like significant marketing costs, lack of market infrastructure, control of trade in the hands of few traders, restricting entry for new traders, often strikes by market functionaries, etc. can also responsible for high prices of onion. Towards the end of the study has come up with a set of policy recommendations that aim at improving efficiency of market through competition.

4. Competition Concerns in Concession Agreements in Infrastructure Sectors

The study was commissioned to Clarus Law associates, New Delhi with an overall objective to conduct research in accordance with the proposal viz. Concession Agreements in certain key sectors like transportation and energy including analysis of key issues in relation to granting of Concession Agreements, Competition Concerns, experience of competition concerns that have arisen in other jurisdictions and role of the Competition Commission of India. The study suggests that CCI should commence a dialogue with the Planning Commission and each of the sector regulators as well as the various ministries of the Government of India and the State Governments that are actively granting concession agreements. The dialogue should focus on highlighting the competition concerns during the life cycle of the concession agreement and how to ensure that they are taken into account while structuring, granting and implementing the concession agreement, so as to mitigate any potential challenges against them.

5. Public Enterprises, Government Policy and Impact on Competition: Indian Steel Industry

The study on “Public Enterprises, Government Policy and Impact on Competition: Indian Steel Industry” was commissioned to Indicus Analytics Pvt Ltd. The overall objective of the study was to examine the nature and state of competition in the Indian steel industry. The study suggests removal of export/import curbs which are clearly a pro-competitive measure. The study also suggests that the overseer of the steel sector should be the Competition Commission of India as the issues of concerns fall in their domain. Any suggestion of setting up an independent steel regulator goes against the standard philosophy of regulation.

6. Public Enterprises, Government Policy and Impact on Competition: Indian Petroleum Industry

The study on “Public Enterprises, Government Policy and Impact on Competition: Indian Petroleum Industry” was commissioned to Indicus Analytics Pvt Ltd. with an overall objective to examine the nature and state of competition in Petroleum Refining. The study indicates that domestic market is close to a monopoly. The study suggests that the most expeditious way of introducing competition is freeing imports. There cannot be competition in exploration and production if refining and distribution are concentrated; and there cannot be competition in refining unless crude is freely importable. Hence the first condition for a more competitive market is absence of restrictions on foreign trade.

7. Antidumping and Competition Law

The study was commissioned to IIT-Kharagpur. The objective of the study was to enquire into the development of jurisprudence in India in the field of creation of intellectual property rights and competition law in general, and the impact of product patent law on India's competition policy and law, in particular. Research under this study was confined to the pharmaceutical and chemical industries in India. The study shows that there is likely to be a trend to restrict production by exclusive license since the number of exclusive licenses granted by the patent holders has increased in the course of last two years. This also has an adverse impact on the price and 'affordability'. It is suggested that a comprehensive policy on 'compulsory license' may be framed taking in view the gross abuse of dominant position by the 'patent holder' and 'the licensee'.

8. Competition Issues in the Air Transport Sector in India

The study on "Competition Issues in the Air Transport Sector in India" was commissioned to Administrative Staff College of India, Hyderabad. The overall objective of the study was to look at the issue of competition at two levels – air transport and airports. The other objectives of the study were to provide a market overview, discuss any significant anti-competitive practices by various players and their effects, address implications of this study for Competition Policy and Law in India, and outline issues for advocacy for India's Competition Commission. The study pointed out that there is some evidence of price parallelism. This may not be termed as price collusion. However, CCI may monitor the pricing of the dominant airlines in particular. In general, inter airport competition is limited all over the world, because of various reasons, partly because relatively few cities are served by two or more airports and also because there are economies of scale in the provision of airports. Airports around the world are subject to significant regulation and also to State ownership. Creation of new airports, expansion of airports and ensuring inter airport competition are important in preserving and promoting a competitive environment in the air transport sector.

9. Study of Cartel Case Laws in Select Jurisdictions– Learnings for the Competition Commission of India.

The study on "Cartel Case Laws in Select Jurisdictions - Learnings for the Competition Commission of India" was commissioned jointly to CUTS International, Jaipur and National Law University, Jodhpur. The overall objective of the study was to analyse cartel case laws in select jurisdictions - Learnings for the Competition Commission of India. The study suggests that CCI should educate business houses/associations on cartels as there have been instances where business houses or associations form a cartel without having an understanding of the fact that their actions would come in the ambit of being a cartel. The practices become norms without proper knowledge of cartelization.

10. Competition Policy in Telecommunications in India

The study on “Competition Policy in Telecommunications in India” was commissioned to Indian Institute of Management, Bangalore. The overall objective of the study was to assess the competition policy in telecommunications in India. The study shows that there is increasing competition in telecommunications in India. The degree of competition varies across segments, typically being low in fixed services as compared to mobile telephone. Study also recommend that the competition authority should aim its competition advocacy efforts towards inculcating a competition culture among the various stakeholders in the telecommunications sector including DOT and the ministry of communications and information technology and in the society in general.

POSSIBLE QUESTIONS – UNIT – V

PART - B

1. Elucidate the applications of information technology in retail?
2. Discuss the ethical practices in retail industry?
3. Describe the importance of information technology in retail industry?
4. Explain the advantages and disadvantages of data base marketing?
5. Elaborate the merits and demerits of electronic retailing?
6. Enumerate the international retailing trends with suitable examples?
7. Define database marketing and briefly explain the various sources of data in retail?
8. Elaborate the applications and benefits of electronic retailing?
9. Describe the ethical practices used in retail industry ?
10. Define e- tailing and explain the applications of e-tailing in India?

***CIA – 3 X 10 = 30 Marks (EITHER OR TYPE)**
****ESE – 5 X 8 = 40 Marks (EITHER OR TYPE)**

Register No.: ....

[15BAU602]

KARPAGAM ACADEMY OF HIGHER EDUCATION

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

COIMBATORE – 641 021

First Internal Examination, January – 2018

III BBA – VI Semester

RETAIL MANAGEMENT

Date :18.01.2018 **Time: 2 Hours**

Session : FN **Maximum: 50 Marks**

PART – A (20 X 1 = 20 Marks)

Answer All the Questions

1. ______ utility is created when the product is sold
   a. Form b. Place c. Time d. Ownership
2. ______ is the final link in the distribution chain.
   a. Retailer b. Manufacturer c. Wholesaler d. Customer
3. PDS Stands for_____
   a. Public Desire System b. Public Division System
   c. Public Digital system d. Public Distribution System
4. ____________ is the key driver of change in retail
   a. Advertising b. Selling c. Marketing d. E- tailing
5. The first factor is influenced by the retail strategy is________
   a. Store location b. merchandising c. marketing d. pricing
6. ______ is a statement of the long term purpose of the organization
   a. Mission b. vision c. objective d. strategy
7. ____________ is a contractual agreement between the franchiser and franchisee
   a. Advertising b. Marketing c. Financing d. Franchising
8. The change in retail is distributed to change in environment__________
   a. Cyclical theory b. Environmental theory c. Need theory d. conflict theory
9. Cyclical theory also known as____________
   a. Need theory b. Environmental theory c. conflict theory d. Wheel of retailing theory
10. __________ retailer is one who owns and operates only one retail outlet
   a. Independent b. chain c. super market d. hypermarket
11. A study of the overall population, age, literary rates are____________
   a. Demographic data b. Consumer data c. Geographic Data d. Social data
12. ____________ are responsible for the total merchandise or service presentation
   a. merchandisers b. wholesalers c. retailers d. manufacturers
13. Franchise fee is also known as____________
   a. Advertising fee b. Royalty fee c. Export fee d. Import fee
14. ____ is a strategic partnership between a local retailer and an international player
   a. Joint venture b. licensing c. Advertising d. Franchising
15. ______ involves making a personal contact with the consumer
   a. Direct selling b. Advertising c. Franchising d. showrooms
16. The ultimate form of retailing directly to the consumer is ______
   a. Non store retailing b. in store retailing c. chain stores d. independent store
17. ____ allows the buyer, a reduction in price on specific merchandise or products.
   a. Coupons b. contests c. demonstrations d. samples
18. _______ is the largest sector of the self service market
   a. Retail kiosks b. information kiosks c. cash and carry d. automated vending
19. ______ is the manner in which a business chooses to serve its customers and stakeholders
   a. Retail outlet b. Retail chain c. Retail model d. Retail kiosks
20. _____ is the starting point of strategy creation
   a. identifying consumer b. understanding the consumer
   c. servicing consumer d. consumer awareness

PART – B (3 X 10 = 30 Marks)

Answer All the Questions

21. a) Explain the various functions and Characteristics of retailers?

(or)

b) Describe the strategic planning process in detail?

22. a) Define franchising and discuss its merits and demerits?

(or)

b) Describe merchandise planning and explain its implications?

23. a) Explain the aspects of Retail Location and Merchandise Management?

(or)

b) Elaborate the various types of retail formats with suitable examples?

Register No.: ……….
[15BAU602]

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COIMBATORE – 641 021
First Internal Examination, January - 2018
III BBA – VI Semester

RETAIL MANAGEMENT - Answer

PART – A

1. Ownership
2. Retailer
3. Public Distribution System
4. E-tailing
5. Store Location
6. Mission
7. Franchising
8. Environmental Theory
9. Wheel of Retailing Theory
10. Independent
11. Demographic data
12. Merchandisers
13. Royalty Fee
14. Joint Venture
15. Direct Selling
16. Non Store retailing
17. Coupons
18. Retail Kishoks
19. Retail Model
20. Understanding the consumer

PART – B

21. a) Explain the various functions and Characteristics of retailers?

The term retailing is derived from the French word "**retailer**" which means '**a piece of**' or '**to cut up**'. This implies the breaking of bulk quantities of the retailer. The retailer acquires large quantities of the products and cuts them up into smaller quantities and sells them to individual consumers. However, a comprehensive retail marketing function requires a combination of many activities.

Functions of retailers

Generally, retailers are involved in the following functions:

1. **Function of breaking bulk**: Retailers break up large quantities into smaller units such as individual canes, bottles, packets, appropriate for consumer use.
2. **Function of creating place utility**: Retailers create place utility by transporting goods to the point of consumption.
3. **Stocking Varieties of goods**: Retailers buy varieties of goods from various manufacturers or wholesalers. Thus, a retailer provides a wide range of choice enabling the consumers to select the products of their choice.
4. **Providing credit facilities to customers**: Retailers grant credit facilities to consumers and thus increase their short-term purchasing power.
5. **Providing information to customers and wholesalers**: Retailers act as a link between the buyers and wholesalers / manufacturers. In the distribution channel, retailers are in direct contact with customers. Retailers supply market information to manufacturers either directly or through wholesalers.
6. **Estimating the demand and arranging the purchase of the product**: Retailers create demand for products by communicating with their customers. This demand creation is quite helpful for manufacturers and wholesalers.
7. **Acting as consumer's agent**: The retailers anticipate the wants of the consumers and then supply them the right kind of goods at a reasonable price. Their job is to make the consumer's buying as easy and convenient as possible.
8. **Marketing functions**: Retailers perform several marketing functions such as sales promotion, advertising and point of purchase display. They induce customers to buy products of reputed companies.
9. **Connecting link**: The retailers are the connecting link between the wholesaler and the ultimate consumer.

21. b) Describe the strategic planning process in detail?

Strategic planning is an organization's **process** of defining its **strategy**, or direction, and making decisions on allocating its resources to pursue this **strategy**. **Strategy** includes **processes** of formulation and implementation; **strategic planning** helps coordinate both. In this overview of the **strategic planning process**, we'll go through the steps that we use to create a strategic plan. There are many different ways you can create a strategic plan, much like there are several different ways you can create a meal to eat. This is the process that we at SME Strategy believe gives management teams sufficient information and direction to create their strategic plan.

Before we get into the strategic planning steps you need to understand why we do strategic planning in the first place.

Why do strategic planning?

- There are a few reasons why you should do strategic planning:
- To get your team on the same page
- To not waste money doing things that you shouldn't be doing.
- To identify and evaluate the best way to accomplish your goals
- and much more...

A strategic plan is a valuable guide for the rest of your employees, your organization's leadership and your stakeholders to know where you're going and why you're going there. A strategic plan that is well communicated gives you access to greater productivity, culture, empowerment, and overall effectiveness.

The complete strategic planning process

Strategic planning step 1: Gather inputs

- SWOT Analysis, Trends, successes and results from past strategic plans, Environmental scan, staff surveys.
- Outside of your business there are many factors that affect how you can do business: **Competitors** being one, but also the: Political, Economic, Social, Technological, Legal and Environmental climates that your organization or business operates in.
- Throughout the **strategic planning process** you'll also have to identify internal processes and situations that may affect where you go in the future (Your strengths and Weaknesses) . There are also external factors that might affect your business strategy and those are opportunities and threats.
- These "inputs" are the ingredients to your successful strategic plan.
- The right information will help you make the right decisions. So gather and assess carefully.
- Once you know where you are at as an organization, and what's going on in the world outside of your organization, then you can start to figure out where you're going.

Strategic planning step 2: Vision

- Where are you going? What does winning look like? Why should you go there?
- There's one thing to have a vision statement, it's another to have a very clear vision of the future. Like a blueprint to a house. This is the foundation of your strategic plan.

- As an organization (SME, for profit, non-profit, government, growing startup, etc.) what are you building, and what is that rallying point for your people?
- Spending the time to get agreement and alignment on this future is key, because otherwise each individual will be following their own destination of success.
- Another way to think of your vision is: "If success was a place, how would we know if we got there"

Strategic planning step 3: Mission

- What is your purpose? Why do you exist? What do you do and who do you do it for?
- This is an opportunity to focus your energy on a specific set of customers. (staff, stakeholders, customers, etc.) If you had to dedicate the majority of your resources to a group, who would it be? This is a tough question, because our tendency is to say: "everyone"
- Your mission is the key driver in accomplishing your vision. It's your: **HOW**

Strategic planning step 4: Values

- If you want to find the number one contributor to a successful organization, it's having values that are understood and agreed on.
- Values create a set of behaviours that everyone on the organization can count on and expect.
- It's like having everyone playing by the same rules that clearly identify how you can be successful. You want your people to feel successful and fulfilled in their jobs? Live, eat and breathe your values so they know how they can contribute to making the organization a success.

Strategic planning step 5: Competition, Risks and Road blocks

- You didn't think it was going to be that easy did you? There will always be things that will get in your way of success.
    - If you take the time to identify what they are, what the impact of that thing happening will be and what you're going to do to mitigate it, you are less likely to be caught off guard and your plan is more likely to be successful.
- You can look at incorporating a risk register or scenario planning as frameworks to help you manage these risks and uncertainties.

Strategic planning step 5: Strategic priorities, goals strategies and tactics.

- This is where you can tie into the big picture thinking into action items as part of your strategic planning process.

- Strategic priorities are a handful of areas that will make the most amount of progress towards accomplishing your vision.
- **Want to increase the focus of your strategic planning?** Focus on the right strategic priorities.
- Once you have your strategic priorities, find a way to measure its success. Think of it as moving it from its current state: X, to its future state: Y by a certain date. From X to Y by DATE
- Then you make the individual action steps that are going to contribute to the accomplishment of that goal. Check out this article if you want some ideas on what strategic priorities to pick as part of your strategic plan.

Strategic planning step 6: Communication plan

- This is where you'll make your plan as a team to communicate your strategic plan, and the things that you're going to get people bought in to your plan.
- Remember how we mentioned that a shelf plan is not very useful, and that making sure you keep your strategic plan and strategic priorities at the top of mind is key; this is where you do that.
- Audio, video, meetings, whatever you need to do: Let people know where the organization is going, and how they can contribute to making that plan a success.
- Communication goes both ways. You'll have better buy in if you listen as well as speak. That's the difference between pushing (see: forcing) a plan on people versus pulling them towards you and getting them to want to contribute.

Action plan

- This is the most straight forward part of the strategic planning process but is also where most organizations falter: Implementation.
- Now that you know where you're going, and how you're going to measure it, do the things that are going to move the needle on the success of your strategic plan.

22. a) Define franchising and discuss its merits and demerits?

Arrangement where one party (the franchiser) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications. The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains (1) immediate name recognition, (2) tried and tested products, (3) standard building design and décor, (4) detailed techniques in running and promoting the business, (5) training of employees, and (6) ongoing help in promoting and upgrading of the products.

Buying a franchise can be a quick way to set up your own business without starting from scratch. There are many benefits of franchising but there are also a number of drawbacks to consider.

Advantages of franchising

- The **risk** of business failure is reduced by franchising. Your business is based on a proven idea. You can check how successful other franchises are before committing yourself.
- Products and services will have already established a **market share**. Therefore there will be no need for market testing.
- You can use a recognised **brand name** and **trade mark**. You benefit from any advertising or promotion by the owner of the franchise - the 'franchisor'.
- The franchisor gives you **support** - usually as a complete package including training, help setting up the business, a manual telling you how to run the business and ongoing advice.
- **No prior experience** is needed as the training received from the franchisor should ensure the franchisee establishes the skills required to operate the franchise.
- A franchise enables a small business to **compete with big businesses**, more so than an independent small business, due to the pool of support from the franchisor and network of other franchisees.
- You usually have **exclusive rights** in your territory. The franchisor won't sell any other franchises in the same territory.
- **Financing** the business may be easier. Banks are sometimes more likely to lend money to buy a franchise with a good reputation.
- You can benefit from communicating and sharing ideas with, and receiving support from, other franchisees in the network.
- Relationships with **suppliers** have already been established.

Disadvantages of franchising

- **Costs** may be higher than you expect. As well as the initial costs of buying the franchise, you pay continuing management service fees and you may have to agree to buy products from the franchisor.
- The franchise agreement usually includes **restrictions** on how you can run the business. You might not be able to make changes to suit your local market.
- You may find that after time ongoing **franchisor monitoring** becomes intrusive
- The franchisor might go **out of business**.
- Other franchisees could give the brand a **bad reputation**, so the recruitment process needs to be thorough
- You may find it difficult to **sell** your franchise - you can only sell it to someone approved by the franchisor.
- All **profits** (a percentage of sales) are usually shared with the franchisor.
- The **inflexible** nature of a franchise may restrict your ability to introduce changes to the business to respond to the market or make the business grow.

22. b) Describe merchandise planning and explain its implications?

A few months back, Kalypso published a Viewpoint on "7 Consumer Trends that Drive Complexity in Product Development," where we focused on major trends affecting product development teams in the retail industry. In this piece we apply a merchandise planning lens to those same trends and illustrate the impact specifically on merchandise planners. Here are the seven major trends along with details on how those teams are impacted.

Trend #1: More and More Product

Customers are constantly demanding new, better and more personalized products on their schedule. This demanding marketplace makes accurate planning more important than ever. Retailers now have to offer larger assortments through multiple channels. Due to these additional complexities, line planning and inventory management are becoming a science that retailers must invest in order to excel. There is a tricky balance of not over-investing in inventory, but also not alienating customers or losing potential sales by being out of stock of a hot-selling product. This job is even further complicated by the need to plan by channel and even by location. Some of these products are carried across multiple platforms, while others are unique to only one. The different distribution options impact the amount of inventory that needs to be planned as well as the timing of product launches.

Trend #2: Continuous Innovation

Companies must plan to constantly release new updates and innovations in order to stay relevant. Retailers will lose repeat customers if they don't see new options every time they enter a store, whether physically or virtually. The more often an assortment can be turned over and refreshed, the more loyal and frequent costumers will become. This new focus puts even more emphasis on planning inventory and line plans. Planners need to be able to extrapolate from product development and sales trend data to determine the product lifecycle, and help buyers define a calendar for update and innovation launches. Leading planners are leveraging predictive analytics to provide guidelines for how much inventory to buy and which styles will work based on past performance. It is commonplace now for successful trends from the previous season to be expanded into additional categories the next season, and it takes an informed planner to execute this appropriately.

Trend #3: Need for Speed

Just as important as having constant, innovative updates to assortment is the need to get the hottest trends into the line. As soon as a trend becomes popular, customers want it and expect it in stores immediately. The merchandise planner has to recognize these trends and predict the lifespan each one will have. Planners, just as much as the product development teams, have to be nimble in creating and updating their assortment strategies to account for the ever-changing desires of the customer. The planner must be the impetus behind getting these trends to market in order to optimize demand, which means they have to influence the product development and design teams on what to create. Having the proper systems and processes in place to facilitate quick and precise communication when new trends are emerging is key.

Trend #4: Value for the Money

The trickle-down effect of price-conscious consumers goes beyond product development teams to greatly impacting merchandise planners as well. This is further amplified as customers have been "trained" by the retail climate of the past several years to expect sales and discounts, and to never have to pay ticket value for an item. Planners must have intimate knowledge of the price points and promotions that have worked previously in order to maximize the sales and profitability they get out of their current and future assortments. The tighter the margins and price points get, the more crucial the planners' role becomes in the assortment strategy. The success of an assortment is dependent upon the execution of multiple teams, but the planner must drive the process and create the strategy for all others to follow.

Trend #5: Liberation of Design

Retailers have multiple avenues to get direct, constructive feedback from their customers. Social media allows consumers to create content and dictate the style and types of products they want to buy. Many retailers have developed an online presence to gather customer feedback, directly impacting what the company offers. Another way companies are meeting customer needs is by offering customizable options in order to keep up with the customers' ever-growing demand for individualism. One of the benefits of allowing customers to design their own products is that planners can analyze recurring orders and start to track trends. It is the planner's job to extrapolate meaningful data from customer feedback, apply it to future forecasts and communicate it to other functions to create alignment.

Trend #6: Sustainability and Social Responsibility

The emphasis on sustainability and social responsibility has a direct impact on merchandise planning teams. Some customers care strongly about what materials go into the products they buy; others care more about where and how the products are produced. Merchandise planners need to take these concerns into account and translate them into the overall assortment strategy. Whether the concern is at the vendor, material or product category level, the strategy the planner creates will act as the blueprint that cross-functional teams, like merchandising and sourcing, will use to manufacture, ship and sell the products across the world. Accuracy in these plans and communication of updates to the cross-functional partners are critical, and will become more important as companies and consumer preferences continue to go greener.

Trend #7: Customized Assortments

Today's shoppers expect retailers to not only differentiate themselves from the competition, but to also distinguish themselves between their own stores. Traditionally retailers recognized that consumers in Los Angeles do not always need or want the same thing as someone in New York City. Although geographical segmentation is still important, planners are now able to make decisions at a more detailed level from the data that the consumers themselves supply. Buyers must base their planning to be customer centric rather than product centric. This level of detail is more complicated to define and plan because a larger number of assortments and products have to be developed. Planners play a key role in leveraging data to help their functional partners understand key customer segments and determine what products are most appropriate for each.

These seven trends make the job of the merchandise planning team more of a challenge than it has ever been. Being able to balance long-term planning along with the ability to react to the changing demands of consumers is critical. Evaluate your current status and determine if you have the right processes and tools to manage this balance effectively.

23. a) Explain the aspects of Retail Location and Merchandise Management?

Advertising moves people toward goods; merchandising moves goods toward people.

− *Morris Hite (American Advertising Expert)*

In the fierce competition of retail, it is very crucial to attract new customers and to keep the existing customers happy by offering them excellent service. Merchandising helps in achieving far more than just sales can achieve. Merchandising is critical for a retail business. The retail managers must employ their skills and tools to streamline the merchandising process as smooth as possible.

Merchandising

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing. Merchandising presents the products in retail environment to influence the customer's buying decision.

Types of Merchandise - There are two basic types of merchandise −

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

Factors Influencing Merchandising

The following factors influence retail merchandising:

Size of the Retail Operations

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

Shopping Options

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

Separation of Portfolios

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

Functions of a Merchandising Manager

A merchandising manager is typically responsible to −

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

Merchandise Planning

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

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

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

Step 3 – Identify Components of Planning.

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

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

Merchandise Buying

This activity includes the following −

- **Step 1 - Collect Information** − Gather information on consumer demand, current trends, and market requirements. It can be received internally from employees, feedback/complaint boxes, demand slips, or externally by vendors, suppliers, competitors, or via the Internet.
- **Step 2 - Determine Merchandise Sources** − Know who all can satisfy the demand: vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).
- **Step 3 - Evaluate the Merchandise Items** − By going through sample products, or the complete lot of products, assess the products for quality.
- **Step 4 - Negotiate the Prices** − Realize a good deal of purchase by negotiating prices for bulk purchase.
- **Step 5 - Finalize the Purchase** − Finalizing the product prices and buying the merchandise by executing buying transaction.
- **Step 6 - Handle and Store the Merchandise** − Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.
- **Step 7 - Record the Buying Figures** − Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

23. b) Elaborate the various types of retail formats with suitable examples?

Australian entrepreneur, Gerry Harvey, once said this about retailing: “Basically we get confused a bit about what retail is. It is really just buying things, putting them on a floor and selling them.” Now there are countless retailers who sell their goods. In a country like India, where the population and economy are growing, the retail business is a booming one, and there are a number of retail formats.

Mom-and-pop Stores

These are small family-owned businesses, which sell a small collection of goods to the customers. They are individually run and cater to small sections of the society. These stores are known for their high standards of customer service.

Department stores

Department stores are general merchandisers. They offer to the customers mid- to high-quality products. Though they sell general goods, some department stores sell only a select line of products. Examples in India would include stores like "Westside" and "Lifestyle"--popular department stores.

Category Killers

Specialty stores are called category killers. Category killers are specialized in their fields and offer one category of products. Most popular examples of category killers include electronic stores like Best Buy and sports accessories stores like Sports Authority.

Malls

One of the most popular and most visited retail formats in India is the mall. These are the largest retail format in India. Malls provide everything that a person wants to buy, all under one roof. From clothes and accessories to food or cinemas, malls provide all of this, and more. Examples include Spencers Plaza in Chennai, India, or the Forum Mall in Bangalore.

Discount Stores

Discount stores are those that offer their products at a discount, that is, at a lesser rate than the maximum retail price. This is mainly done when there is additional stock left over towards the end of any season. Discount stores sell their goods at a reduced rate with an aim of drawing bargain shoppers.

Supermarkets

One of the other popular retail formats in India is the supermarkets. A supermarket is a grocery store that sells food and household goods. They are large, most often self-service and offer a huge variety of products. People head to supermarkets when they need to stock up on groceries and other items. They provide products for reasonable prices, and of mid to high quality.

Street vendors

Street vendors, or hawkers who sell goods on the streets, are quite popular in India. Through shouting out their wares, they draw the attention of customers. Street vendors are found in almost every city in India, and the business capital of Mumbai has a number of shopping areas comprised solely of street vendors. These hawkers sell not just clothes and accessories, but also local food.

Hypermarkets

Similar to supermarkets, hypermarkets in India are a combination of supermarket and department store. These are large retailers that provide all kinds of groceries and general goods. Saravana Stores in Chennai, Big Bazaar and Reliance Fresh are hypermarkets that draw enormous crowds.

Kiosks

Kiosks are box-like shops, which sell small and inexpensive items like cigarettes, toffees, newspapers and magazines, water packets and sometimes, tea and coffee. These are most commonly found on every street in a city, and cater primarily to local residents.

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COIMBATORE – 21
DEPARTMENT OF MANAGEMENT
III BBA - FIFTH SEMESTER
RETAIL MANAGEMENT (15BAU602)
ASSIGNMENT - I – TITLES

Sl. No.	Register No.	Name of the Candidate	Assignment Title
1	15BAU001	ABDUL KABIER A. F	Functions and Special Characteristics of Retailer
2	15BAU003	AJETHKUMAR. M	Consumer Behaviour in Retail Context
3	15BAU005	ANAND . V	The Evolution of Retail in India
4	15BAU006	ANIL RAJ V.M	Visual Merchandising in Retail
5	15BAU007	AROKIARAJ. J	Global Strategy (Retail)
6	15BAU009	BENIN . G	Evolution of Retail in India
7	15BAU010	DINESHKUMAR . S	Types of Retailers
8	15BAU012	GOKUL . S	General Introduction to Retail
9	15BAU013	GOPINATH . A	Consumer Behaviour Theory
10	15BAU016	KARTHICK . G	IT Applications in Retail
11	15BAU017	KARTHIKEYAN . R	Retail Strategies
12	15BAU018	KEERTHANA . L	Site Selection and Merchandise Management
13	15BAU019	LOGESH . G	Retail Store Operations
14	15BAU022	MUHAMMED SHAFIK K.Y	Organisation Structure in Retail
15	15BAU023	MUTHU KUMAR . R	Functions and Special Characteristics of Retailer
16	15BAU025	NANDHAKISHORE K.J	Human Resource Management in Retail
17	15BAU026	NANTHINI . K	Financial Aspects of Retail Marketing and Communication
18	15BAU027	NARMATHA . M	Competition Commission of India
19	15BAU028	NAVEEN . G	Global Retail Market
20	15BAU029	NESHA . R	Determinants of Success of Global Retailing Strategy
21	15BAU030	NIDHIN SATHYAN	Servicing – The Retail Consumer
22	15BAU031	NIVETHA . R	Retail Store Operations
23	15BAU032	PANDIYARAJ. R	Organisation Structure and Human Resource Management in Retail
Sl. No.	**Register No.**	**Name of the Candidate**	**Assignment Title**
24	15BAU033	PAVITHRA . R	International Retailing Trends
25	15BAU035	RABIS GOKUL . S	Managing Services and Quality Strategic Planning
26	15BAU036	RAGUL PRASATH .S	Servicing the Retail Customers
27	15BAU037	RAJA PRABHU . V	Financial Aspects of Retail
28	15BAU038	SAI VENKATESH . R	Supply Chain Management
29	15BAU039	SALMAN FARIZ . J	Retail Marketing and Communication

30	15BAU040	SASIKUMAR. M	Database Marketing
31	15BAU041	SELVAKUMAR . S	Retail Management Information System
32	15BAU045	SRINIVASAN . R	Electronic Retailing
33	15BAU046	SUDHEER . T	Strategic Planning
34	15BAU047	SURYA PRAKASH . S	Merchandise Management
35	15BAU048	SURYA. R	Ethics in Retailing
36	15BAU049	VARATHARAJ . K	Retail Location

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COIMBATORE – 21
DEPARTMENT OF MANAGEMENT
III BBA - FIFTH SEMESTER
RETAIL MANAGEMENT (15BAU602)
ASSIGNMENT - II – TITLES

Sl. No.	Register No.	Name of the Candidate	Assignment Title
1	15BAU001	ABDUL KABIER A. F	Consumer Behaviour Theory
2	15BAU003	AJETHKUMAR. M	
3	15BAU005	ANAND . V	
4	15BAU006	ANIL RAJ V.M	
5	15BAU007	AROKIARAJ. J	

6	15BAU009	BENIN . G	
7	15BAU010	DINESHKUMAR . S	
8	15BAU012	GOKUL . S	
9	15BAU013	GOPINATH . A	
10	15BAU016	KARTHICK . G	Competition Commission of India
11	15BAU017	KARTHIKEYAN . R	
12	15BAU018	KEERTHANA . L	
13	15BAU019	LOGESH . G	
14	15BAU022	MUHAMMED SHAFIK K.Y	
15	15BAU023	MUTHU KUMAR . R	
16	15BAU025	NANDHAKISHORE K.J	
17	15BAU026	NANTHINI . K	
18	15BAU027	NARMATHA . M	
19	15BAU028	NAVEEN . G	Retail Store Operations
20	15BAU029	NESHA . R	
21	15BAU030	NIDHIN SATHYAN	
22	15BAU031	NIVETHA . R	
23	15BAU032	PANDIYARAJ. R	
24	15BAU033	PAVITHRA . R	
25	15BAU035	RABIS GOKUL . S	
26	15BAU036	RAGUL PRASATH .S	
27	15BAU037	RAJA PRABHU . V	
28	15BAU038	SAI VENKATESH . R	Retail Management Information System
29	15BAU039	SALMAN FARIZ . J	
30	15BAU040	SASIKUMAR. M	
31	15BAU041	SELVAKUMAR . S	
32	15BAU045	SRINIVASAN . R	
33	15BAU046	SUDHEER . T	
34	15BAU047	SURYA PRAKASH . S	
35	15BAU048	SURYA. R	
36	15BAU049	VARATHARAJ . K	

Reg. No.....................................

[14BAU602]

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(For the candidates admitted from 2014 onwards)

BBA DEGREE EXAMINATION, APRIL 2017

Sixth Semester

BUSINESS ADMINISTRATION

RETAIL MANAGEMENT

Time: 3 hours. Maximum : 60 marks

PART – A (20 x 1 = 20 Marks) (30 Minutes)
(Question Nos. 1 to 20 Online Examinations)

PART B (5 x 8 = 40 Marks) (2 ½ Hours)
Answer ALL the Questions

21. a. Explain the functions of a retailer.

Or

b. Give the classification of retailer formats with suitable examples.

22. a. Explain the factors that are used to evaluate specific areas for locations.

Or

b. Discuss the steps in strategic planning process for global retailing.

23. a. Explain the Types of Retail Advertising.

Or

b. Describe the organization structure of a retail firm.

24. a. How to create retail store design through visual merchandising?

Or

b. Write briefly about retail information system.

25. a. Explain the application of information technology in retail.

Or

b. List out the advantages and disadvantages of E-retailing.

Reg. No................................

[12BAU601]

KARPAGAM UNIVERSITY
(Under Section 3 of UGC Act 1956)
COIMBATORE – 641 021
(For the candidates admitted from 2012 onwards)

BBA DEGREE EXAMINATION, APRIL 2015
Sixth Semester

BUSINESS ADMINISTRATION

RETAIL MANAGEMENT

Time: 3 hours

Maximum : 100 marks

PART – A (15 x 2 = 30 Marks)
Answer ALL the Questions

1. Define retailing.
2. Write a note on retail marketing.
3. Who is a retailer?
4. What is location area?
5. Define Merchandise Management?
6. Define Service quality.
7. Define Retail Promotion.
8. What are the objectives of promotion?
9. What is strategy mix?
10. Define supply chain management.
11. Define retail logistics.
12. What is service retailing?
13. What is e- retailing?
14. What is customer loyalty?
15. What is plastic money?

PART B (5 X 14= 70 Marks)
Answer ALL the Questions

16. a. Describe the key success factors of franchising in India.

Or

b. Discuss about the emerging trends and challenges in the retail industry.

17. a. What are the factors to be considered in planning the store layout?

Or

b. Explain the global trends in retailing.

18. a. Explain the elements of promotional mix.

Or

b. Develop an outline for a training programmme for different categories of staff in a retail organization?

19. a. What are the factors to be considered in devising merchandise plans?

Or

b. What aspects need to be measured while monitoring service quality?

20. **Compulsory : -**

Identify some of the innovations in the use of IT that the retail industry as pioneered and discuss some of the successes and failures in the retailing industry where the business model has been driven by IT.

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[15BAU602]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established Under Section 3 of UGC Act, 1956)
COIMBATORE – 641 021
Second Internal Examination, February - 2018
III BBA – VI Semester

RETAIL MANAGEMENT – Answer Key

PART – A

1. IT implementation
2. Vertical integration
3. Retailers
4. Management
5. Storage
6. Local consumers
7. Distribution
8. Channel conflict
9. Brand
10. Make adjustments
11. Return e-mail option
12. Tax
13. To participate in market research
14. Promotional activities
15. Emphasizing capabilities and durability
16. Seasonal
17. Fad
18. Identifying reason for return
19. Reserve
20. Peak

PART – B

21. a) Explain the components of retail store operations?

The store must offer a positive ambience to the customers for them to enjoy their shopping and leave with a smile.

- The store should not give a cluttered look.
- The products should be properly arranged on the shelves according to their sizes and patterns. Make sure products do not fall off the shelves.

- There should be no foul smell in the store as it irritates the customers.
- The floor, ceiling, carpet, walls and even the mannequins should not have unwanted spots.
- Never dump unnecessary packing boxes, hangers or clothes in the dressing room. Keep it clean.
- Make sure the customers are well attended.
- Don’t allow customers to carry eatables inside the store.

Cash Handling

- One of the most important aspects of retailing is cash handling.
- It is essential for the retailer to track the daily cash flow to calculate the profit and loss of the store.
- Cash Registers, electronic cash management system or an elaborate computerized point of sale (POS) system help the retailer to manage the daily sales and the revenue generated.

Prevent Shoplifting/Safety and Security

- The merchandise should not be displayed at the entry or exit of the store.
- Do not allow customers to carry more than three dresses at one time to the trial room.
- Install CCTVs and cameras to keep a close watch on the customers.
- Each and every merchandise should have a security tag.
- Ask the individuals to submit carry bags at the security.
- Make sure the sales representative handle the products carefully.
- Clothes should not have unwanted stains or dust marks as they lose appeal and fail to impress the customers.
- Install a generator for power backup and to avoid unnecessary black outs.
- Keep expensive products in closed cabinets.
- Instruct the children not to touch fragile products.
- The customers should feel safe inside the store.

Customer Service

- Customers are assets of the retail business and the retailer can’t afford to lose even a single customer.
- Greet customers with a smile.
- Assist them in their shopping.
- The sales representatives should help the individuals buy merchandise as per their need and pocket.

- The retailer must not oversell his products to the customers. Let them decide on their own.
- Give the individual an honest and correct feedback. If any particular outfit is not looking good on anyone, tell him the truth and suggest him some better options.
- Never compromise on quality of products. Remember one satisfied customer brings five more individuals to the store. Word of mouth plays an important role in Brand Promotion.

Refunds and Returns

- Formulate a concrete refund policy for your store.
- The store should have fixed timings for exchange of merchandise.
- Never exchange products in lieu of cash.
- Never be rude to the customer, instead help him to find something else.

Visual Merchandising

- The position of dummies should be changed frequently.
- There should be adequate light in the store. Change the burned out lights immediately.
- Don't stock unnecessary furniture at the store.
- Choose light and subtle colours for the walls to set the mood of the walk-ins.
- Make sure the signage displays all the necessary information about the store and is installed at the right place visible to all.
- The customers should be able to move and shop freely in the store.
- The retail store should be well ventilated.

Training Program

- The store manager must conduct frequent training programs for the sales representatives, cashier and other team members to motivate them from time to time.
- It is the store manager's responsibility to update his subordinates with the latest softwares in retail or any other developments in the industry.
- It is the store manager's responsibility to collate necessary reports (sales as well as inventory) and send to the head office on a daily basis.

Inventory and Stock Management

- The retailer must ensure to manage inventory to avoid being "out of stock".
- Every retail chain should have its own warehouse to stock the merchandise.
- Take adequate steps to prevent loss of inventory and stock.

21. b) Elaborate the importance of customer service in retail sector?

Good customer service is an essential ingredient in retail because if a customer feels valued, they are more likely to not just stay with you but they will also recommend you to others and the importance of ‘word of mouth’ referrals should never be underestimated by any retail company when it comes to increasing your sales and customer base. In any walk of life, people react to the kind of treatment they receive so if you treat customers badly or show a total disregard for them, they are, at best, going to complain more and, at worst, will simply not bother to complain and take their business elsewhere. However, retail companies should not believe for one minute that this means just the loss of one customer. On the contrary, if a customer decides not to shop with you because your customer service is poor, you can be certain that they’ll also tell their family and friends who will also tell their family and friends and so forth. Therefore, the loss of one actual customer could actually be equated to the loss of, perhaps, several hundred potential customers in reality.

Customer Service Also Acts as a Morale Booster For Staff

It isn’t just customers who benefit from good customer service. Staff, too, will be far more motivated to work for a professional company which prides itself on excellent customer service as it will give them a much deeper sense of job satisfaction knowing that they can come home from work each day knowing that they have helped customers and have been able to resolve issues satisfactorily so that customers will continue to shop with them.

What Are the Main Principles of Good Customer Service?

Good customer service can be demonstrated in a variety of ways. It’s also important to listen to what customers have to say about your company’s customer service and to consider any improvements they might suggest which the company may have overlooked. It’s also important to listen to any complaints as it’s often by these being made that a company can be made aware of a particular problem and can take steps to put that right before customers decide to desert them and shop with a competitor instead. In general, customers value the following when it comes to good sales and customer service practice:

- Staff who are courteous towards them
- Staff who value their custom and who listen to them
- Staff who offer help and product information
- Staff who are knowledgeable and enthusiastic about the products they sell
- Staff who will accept responsibility for complaints and who will rectify problems quickly and apologise and acknowledge any mistakes they have made
- Staff who aren’t pushy when it comes to making sales

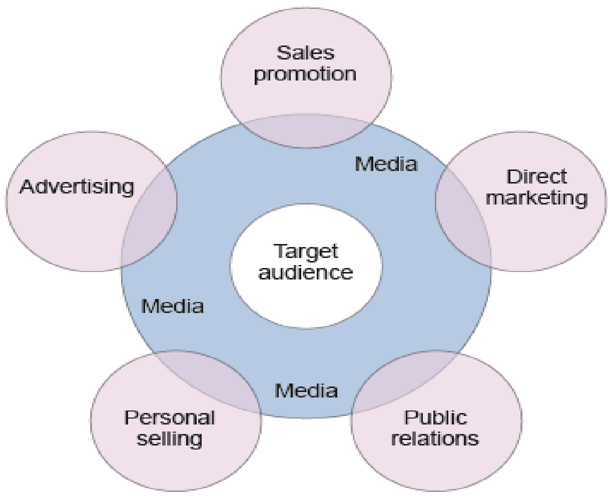
Other Issues

Customers also perceive good customer service in other, more indirect ways. These can include keeping a neat and tidy store where the merchandise is well set out and where it’s easy to find specific items. Accurate pricing is also an important issue.

What is important to remember is that people tend to share extremely professional and woefully poor shopping experiences in conversations with their family and friends and therefore, customer service plays a tremendous role in that experience and can have the effect of increasing or decreasing sales quite dramatically.

22. a) Enumerate the retail communication mix with suitable diagram?

Retailers should consider the range of communication tools that they can mix to communicate their marketing and branding messages. Advertising, sales promotion, public relations, digital marketing, direct marketing and personal selling are examples of important marketing communication tools widely used in the retail industry and other industry sectors.



The above figure indicates an interrelationship between the target customers, the tools and the media. This is because the tools a retailer might choose to target a particular audience will affect the media used to carry the message. It is important to note that deciding on the tools and media involves a complicated set of decisions. Indeed Davies (2001) suggested there are over 2,000 different combinations of interlinked decisions to consider that could affect marketing communication planning.

In order to make such choices, retailers need to select a *blend* of tools and media that will reach the target audience. Each tool in the communication mix has different characteristics, which affect how they are used in conjunction with the media and communication messages. According to Fill (2009) four important characteristics can help guide your choice of which communication tool to use for delivering particular marketing communication messages. The four characteristics are:

1. **Communication potential** – focuses on the ability of the communication tool to deliver a personal message, its audience reach and the level of interaction offered.
2. **Credibility** – refers to how the communication tool is perceived by the target audience.

3. **Cost** – includes considerations about how much of the communication budget is required to use a particular tool, ratios of cost per contact and the size of investment required to use the particular communication tool.
4. **Control** – the ability to reach specific target audiences and flexibility to adapt to changes in the communication setting.

The characteristics of each of the communication tools affect how and where they are used, based on the level of:

- **Communication potential**, e.g. television advertising is good at visually informing target consumers of key features and benefits, whereas sales promotions are a call to action, to encourage consumers to make a purchase for example.
- **Credibility** required (tools are perceived and valued differently by the target audience, e.g. public relations score high whereas advertising scores low).
- **Cost** which is a major consideration and the communication budget will influence the choice of communication tools.
- **Control** that is required. (In other words is the message that the target audience receives the same as the one the transmitter intended to send?)

22. b) Elucidate the principles and process of retail service?

The key to good customer service is building good relationships with your customers. Thanking the customer and promoting a positive, helpful and friendly environment will ensure they leave with a great impression. A happy customer will return often and is likely to spend more.

To ensure you provide the best customer service:

- know what your customers consider to be good customer service
- take the time to find out customers' expectations
- follow up on both positive and negative feedback you receive
- ensure that you consider customer service in all aspects of your business
- continuously look for ways to improve the level of customer service you deliver.

The following are some of the main elements of good customer service.

Customer relationships

To build good customer relationships you need to:

- greet customers and approach them in a way that is natural and fits the individual situation
- show customers that you understand what their needs are
- accept that some people won't want your products and concentrate on building relationships with those who do

- help people - even just letting a customer know about an event that you know they're personally interested in is helpful
- continue to keep customers aware of what's in it for them to do business with you.

Staff

If you want to provide the best customer service, all of your staff need to have good communication and sales skills. You will also need to show leadership by personally providing excellent customer service at all times. Learn more about the sales process.

Complaints

Listen to customer complaints; you may learn something about your product or service. Let customers know that you appreciate feedback.

Overcome any objections. Listen to what the customer is objecting about (often price, merchandise or time). Confirm the validity of each concern and offer a solution. Find out more about managing customer complaints.

Products

Know your products - where everything is located, brand names, place of manufacture and price. The more you know, the more confidence you can build in the customer.

Recognise product features. Turn these features into benefits for the customer. Ensure your staff can tell customers about the product features and benefits.

23. a) Determine the role of human resource management in retail?

High Turnover

Retail is notorious for having a high rate of employee turnover. This means employees routinely come and go, which poses several challenges. Training and developing are difficult, time consuming and constant if you constantly have to recruit and hire new people. It's also more difficult to build customer loyalty if customers keep seeing a new face every time they enter your store. You can address these problems by recruiting the right people and building a rapport with your employees. When you interview people, make sure you ask specific questions that relate to the type of work your employees do. Informal social outings and fun games at work can help build rapport.

Diversity

A diverse workforce is typically regarded as a good thing. It helps a retailer better connect with its marketplace and usually leads to more and better ideas and results. However, a staff of people from widely varying demographic backgrounds might have trouble developing cohesiveness. From an HR vantage point, your challenge is to manage diversity to avoid major conflicts and promote a spirit of tolerance, teamwork and collaboration. Include diversity discussions in store meetings and encourage employees to discuss their differences. These techniques can go a long way toward building a more cohesive team.

Misconceptions

To build a staff of competent, committed and motivated employees, retailers must overcome a number of common challenges and misconceptions about the work environment. Common concerns include long hours, no full-time jobs or benefits, low pay and no growth opportunities. You can overcome these challenges by going against the industry grain. Offer regular eight-hour work shifts at your retail business. Provide competitive pay and benefits to full-time employees. Even if your starting pay is modest, do your best to offer fast tracks to higher salaries and management positions when an employee has established a good track record with your business.

Seasonal Demand

Retailers often experience seasonal demand fluctuations. The holiday buying season, from "Black Friday" through Christmas, is well-known as the busiest shopping season of the year. Retailers often try to add temporary staff during these times. They often wind up with fewer skilled and trained workers who might not have the tools to best serve your customers. These workers can also alienate regular staff that must pick up the slack. Develop a plan to assimilate temporary workers during these seasonal periods. A store meeting at the start of the busy season is a good way to help temporary workers learn the system and get to know the regular staff.

23. b) Describe the various functions of supply chain management?

Supply chain management involves five main functions: aligning flows, integrating functions, coordinating processes, designing complex systems, and managing resources.

- **Aligning flows:** As money, materials, and information are passed between customers and suppliers, supply chain management keeps them flowing up and down a supply chain.
- **Integrating functions:** Supply chain management connects the activities of logistics, purchasing, and operations to ensure that they focus on goals that benefit overall performance.
- **Coordinating processes:** Supply chain management increases profitability by aligning the processes used to plan, source, make, deliver, and (when necessary) return a company’s products and services.
- **Designing complex systems:** Simulation tools can predict how a supply chain will behave and show how small changes can cause major disruptions in the flow of materials.
- **Managing resources:** Supply chain managers are responsible for using people, processes, and technology to meet the needs of customers.

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(For the candidates admitted from 2015 onwards)
Model Examination, March - 2018
III BBA – VI Semester

RETAIL MANAGEMENT – Answer Key

PART – A

1. Need Theory
2. Time
3. Darwins Theory
4. Franchising
5. Store location
6. Mission
7. PEST
8. Michael Porter
9. Seasonal
10. Fad
11. identifying reason for return
12. reserve
13. Merchandise sourcing
14. Range plan
15. Searching
16. Contests
17. economic system
18. Advertising
19. achieve a desired outcome
20. happiness

PART – B

21. **a) Elaborate the types of retailers with suitable examples**.

Retailing refers to a process where the retailer sells the goods directly to the end-user for his own consumption in small quantities.

Types of Retail outlets

- **Department Stores**

A department store is a set-up which offers wide range of products to the end-users under one roof. In a department store, the consumers can get almost all the products they aspire to shop at one place only. Department stores provide a wide range of options to the consumers and thus fulfill all their shopping needs.

Merchandise:

Electronic Appliances

Apparels

Jewellery

Toiletries

Cosmetics

Footwear

Sportswear

Toys

Books

CDs, DVDs

Examples - Shoppers Stop, Pantaloon

- **Discount Stores**

  Discount stores also offer a huge range of products to the end-users but at a discounted rate. The discount stores generally offer a limited range and the quality in certain cases might be a little inferior as compared to the department stores.

  Wal-Mart currently operates more than 1300 discount stores in United States. In India Vishal Mega Mart comes under discount store.

  Merchandise:

  Almost same as department store but at a cheaper price.

- **Supermarket**

  A retail store which generally sells food products and household items, properly placed and arranged in specific departments is called a supermarket. A supermarket is an advanced form of the small grocery stores and caters to the household needs of the consumer. The various food products (meat, vegetables, dairy products, juices etc) are all properly displayed at their respective departments to catch the attention of the customers and for them to pick any merchandise depending on their choice and need.

  Merchandise:

  Bakery products

  Cereals

  Meat Products, Fish products

Breads

Medicines

Vegetables

Fruits

Soft drinks

Frozen Food

Canned Juices

- **Warehouse Stores**

  A retail format which sells limited stock in bulk at a discounted rate is called as warehouse store. Warehouse stores do not bother much about the interiors of the store and the products are not properly displayed.

- **Mom and Pop Store (also called Kirana Store in India)**

  Mom and Pop stores are the small stores run by individuals in the nearby locality to cater to daily needs of the consumers staying in the vicinity. They offer selected items and are not at all organized. The size of the store would not be very big and depends on the land available to the owner. They wouldn’t offer high-end products.

  Merchandise:

  Eggs

  Bread

  Stationery

  Toys

  Cigarettes

  Cereals

  Pulses

  Medicines

- **Speciality Stores**

  As the name suggests, Speciality store would specialize in a particular product and would not sell anything else apart from the specific range.Speciality stores sell only selective items of one particular brand to the consumers and primarily focus on high customer satisfaction.

  Example -You will find only Reebok merchandise at Reebok store and nothing else, thus making it a speciality store. You can never find Adidas shoes at a Reebok outlet.

- **Malls**

  Many retail stores operating at one place form a mall. A mall would consist of several retail outlets each selling their own merchandise but at a common platform.

- **E Tailers**

  Now a days the customers have the option of shopping while sitting at their homes. They can place their order through internet, pay with the help of debit or credit cards and the products are delivered at their homes only. However, there are chances that the products ordered might not reach in the same condition as they were ordered. This kind of shopping is convenient for those who have a hectic schedule and are reluctant to go to retail outlets. In this kind of shopping; the transportation charges are borne by the consumer itself.

  Example - EBAY, Rediff Shopping, Amazon

- **Dollar Stores**

  Dollar stores offer selected products at extremely low rates but here the prices are fixed.

  Example - 99 Store would offer all its merchandise at Rs 99 only. No further bargaining is entertained. However the quality of the product is always in doubt at the discount stores.

21. b) Define franchising and discuss its merits and demerits?

Franchising is a relationship in which the service provider (franchiser) develops and optimizes a format of service that it licenses to other parties (the franchisees) for delivery.

In franchising, the franchiser, (service provider) licenses his brand name, business process or format, product, service or reputation in return for fees and royalties.

How do a franchise exist?

A franchise exists where one person grants rights to another to exploit an intellectual property right involving perhaps trade names, products, trade marks, equipment distribution.

Services suitable for franchise operations

Examples of services which are suitable for franchise operations include: accounting and tax services, beauty salons, car rental services, dry cleaning services, employment services, hotels, industrial services, garments, nursing homes, restaurants, travel agencies, etc.

Situations when franchising is suitable?

Franchising is suitable in situations where services can be standardized and duplicated through the delivery process service policies, warranties, guarantees, promotion and branding. In United States of America, many companies have found favor with franchising. NIIT has about 80 centres in the country operating as franchisees.

Factors influencing location of franchise

The success of a service business depends much upon the location of the service operations. This is particularly true when the customers have to come to service organization. The service firm should concentrate on the choice of location in order to make it convenient and accessible to customers. According to Raab and Maruskv, the following points should be borne in mind while selecting a quality site. Firm's physical needs Space requirement Potential of the area.

Since the franchise is an extension of the service organization, services must be delivered at a convenient location which is accessible to customers.

The factors that govern the choice of location include

- Firm's physical needs.
- Space requirements.
- Potential area.
- Internal competition.
- External competition.
- Traffic pattern.
- Quality of traffic.

22. a) Describe the strategic planning process in Retail Marketing?

For the purpose of developing retail strategies, retailers are required to follow a step by step procedure or planning process. The planning process discusses/involves the present stage of business, the formulation, list of available strategic options, and the implementation of the selected strategies. Considering the importance of strategic decisions for the future success of the business, a systematic approach is essential.

The strategic planning process, which after considering the HR potential and USP of a particular store takes proper shape, is normally divided into following steps:

1. Deciding the store's philosophy, mission and objectives,
2. Situation analysis,
3. Formulation of retail strategy
4. Strategy implementation and control.

1. Deciding the store's philosophy, mission and objectives:

The retail strategic planning process starts with the identification of store's mission for its existence and hence the scope of the retail store. The mission of a store entails identifying the goods and services that will be offered to customers. It also deals with the issue that how the resources and capabilities of a store will be used to provide satisfaction to customers and how the store can compete in the target market vis-a-vis its competitors.

The mission also involves the way of store's functioning. How a store will work and accomplish its day to day operations? What is the emergency planning? All are answered in the store's mission statement. For example, Vishal Mega Marts, they have philosophy of customer satisfaction through "manufacturing to retailing".

This reflects not only the way it tends to treat its customers, but discusses the secret of its competitive advantage, i.e. the profit saved from absence of intermediaries like agents and brokers, commission saved is distributed to customers by way of low priced items.

Once the organization mission has been determined, its objectives, desired future positions that it wishes to reach, should be identified. Stores' objectives are defined as ends which the store seeks to achieve by its USP (Unique Selling Preposition) and operations.

The store's objectives may be classified into two parts:

(i) External store objectives, and

(ii) Internal Store Objectives.

External store objectives are those that define the impact of store on its environment, e.g., to develop high degree of customer confidence by providing quality goods at lowers prices. Internal store objectives, on the other hand, are those that define how much is expected to be achieved with the available resources, e.g. to raise the store turnover by 15% in the coming year.

2. Situational Analysis (SWOT Analysis):

The objective of doing store's situation analysis is to determine where the store is at present and to forecast where it will be if formulated strategies are implemented. The difference between current and future position (forecasted) is known as planning or strategic gap. Under organisational analysis, normally stores study their external (environmental) and internal environments.

External Analysis:

The purpose of examining the store's external environment is to study the opportunities and threats in the retailing environment. The external analysis studies factors that affect the macro-environment of retailing industry and the task environment.

Under external analysis, retailer studies these parameters:

(i) Economic environment of retailing,

(ii) Political environment of retailing,

(iii) Legal environment of retailing,

(iv) Socio-cultural environment of retailing,

(v) Technological environment of retailing, and

(vi) International environment of retailing.

The store's task environment can be influenced directly by retailer's own policies and includes competitors, suppliers and customers.

Internal Analysis:

The objective of studying internal environment of its own store is to identify the store's strengths and weaknesses. The store will try to increase its capabilities, and overcome the weaknesses that deter the business profit. While doing the internal analysis, store examines the quality and quantity of its available resources and critically analyzes how effective these resources are used. These resources for the purpose of examining are normally grouped into human resources, financial resources, physical resources (assets) and intangible resources (goodwill, image etc).

22. b) Enumerate the various sources of merchandising?

Merchandising is the practice and process of displaying and selling products to customers. Whether digital or in-store, retailers use merchandising to influence customer intent and reach their sales goals.

Establishing the right merchandising strategy can depend on a variety of factors, such as sector, product qualities, available space, and whether the retailer is displaying in a physical or digital store. Additionally, there are various schools of thought on which types of merchandising are most effective in particular industries and departments.

The history of merchandising is as vast as the history of trade itself—even the ancient Ebla tablets (dated ca. 2500 BC to ca. 2250 BC) are predominately about the trade and commerce of the time. For this reason, it can be helpful first to understand the basic types of merchandising before seeing merchandising examples.

Types of Merchandising

Product merchandising involves all promotional activities used to sell a product. Product merchandising can refer both to in-store or online products. Although often incorrectly used as a synonym for service merchandising (the promotional activities used to sell services), product merchandising can also refer to either physical or digital products.

For example, the definition of product merchandising applies whether you are merchandising shoes in-person or online, and even if you are merchandising a product that isn't physical, such as an eBook.

Additionally, because product merchandising refers to both in-store and digital, it includes all promotional activities that take place in a store (such as shelf displays and end caps) and online

Retail merchandising refers to all promotional and marketing activities that in some way contribute to selling products to customers in a physical retail store. The definition here is limited to the physical, but it can be applied to a variety of merchandising venues—from traditional brick-and-mortar malls to annual pop-up events.

However, with the continued rise of digital merchandising, the term retail merchandising is increasingly being used to describe digital merchandising as well. This trend is likely to continue, especially because research suggests that 2017 will be the first year in history that digital retail sales will surpass in-store retail sales.

Visual merchandising in the retail industry refers to all of the display techniques used to highlight the appearance and benefits of the products and services being sold. Visual merchandising can include elements of spacing, lighting, and design, and is a term that can be applied both to in-store merchandising and online merchandising.

In regards to the in-store retail experience, visual merchandising includes aspects such as floor plan layout, color palette selection, three-dimensional displays, and product and banner alignment. In regards to the digital retail experience, visual merchandising includes aspects such as web design, the use of GIFS and video, and any other visual design element used to highlight the features and benefits of a product or service.

Digital merchandising involves all promotional activities used to sell a product online. Often referred to as eCommerce or online merchandising, digital merchandising can include everything from site performance and digital product displays to digital marketing and email marketing initiatives.

Unlike terms such as retail merchandising, which were originally used to describe the in-store experience but are now expanding in their definition, digital merchandising is rooted 100% in the digital retail experience. That said, as the in-store and digital experiences continue to merge, the digital experience may also occur in physical stores.

Take, for example, Bonobos. They started out as an eCommerce store, but now also offer physical stores referred to as Bonobos Guideshops. No physical merchandise is sold in these stores. Instead, associates help customers find clothes and discover their fit before asking the customer to place a digital order.

Omnichannel merchandising refers to creating a unified customer experience across all possible touchpoints of the customer journey. For retailers with physical and digital stores, omnichannel merchandising involves creating a seamless customer experience—even if the customer moves from one to the other (as in the Bonobos example above).

Omnichannel merchandising (also referred to as omnichannel retailing) is a topic of increasing interest and research—especially because physical stores are increasingly embracing digital. Additionally, omnichannel retailing is often used to describe all of the elements within a single customer journey—regardless of where each element takes place.

Let's create an example here:

A customer visits a digital store through finding an organic piece of content via a Google search. From there, they search the online store and build out their cart, but then at the last minute they abandon their cart. In the next 30 minutes, the digital retailer sends a personalized behavioral email showing the customer what's in their cart and offering a 5% discount to complete the purchase. The customer accepts the offer and completes their purchase.

This experience could be referred to as an omnichannel merchandising experience because the customer moved from a search engine, to on-site, to their email, and then back to on-site.

23. a) Describe the various tools used to measure the performance of retail industry?

Consider focusing on just 5 essential retail sales metrics, before your mind is buried in Excel pivot tables or your Qlikview screen overcrowds and freezes. For all an all, it's the real-time overview you need. Your way to glory is keeping real-life events running smoothly in real time, and adjusting your strategy after certain periods.

1. Number of Customers (Customer Traffic)

A number of customers are the most straightforward metric for your retail business. Even a child gets that the place that's crowding with customers must be doing good. You normally don't go to an empty restaurant, don't you?

Customers are the sole source of money for your retail business. As Karl Marx had it, human work adds real value to land and capital. For a retailer, the more potential customers you get into your shop, the more money they'll likely leave behind.

If you're in e-commerce, measuring customer numbers is pretty easy. It does, however, take some experience in reading the analytics. Most probably you'll be using Google Analytics, but don't forget that your e-commerce backend has at least some visitor statistics. Even if these are not as fancy as Google provides, they are typically easy to read and might even be more accurate. Set your benchmarks, compare results to last year and yesterday.

In brick-and-mortar, pay attention to the number of visitors and the number of customers. The latter can be seen from your point of sale history. Use loyalty programs, so your customers identify themselves at the counter, then it's much easier to understand if your retail traffic. Wait! Do you visit your retail stores in person? Visual estimation can be adequate enough. Estimate, before you start counting.

NB! A number of customers are the only metric you can grow almost infinitely, i.e. the theoretical limit is the number of inhabitants on Earth. And possibly more, depending on your views on extraterrestrial retail.

2. Effectivity (Retail Conversion Rate)

Alright, we already had to distinguish retail visitors and retail customers. Some visitor doesn't buy anything. It's rather unlikely in a big shopping mall, but very common in specialty stores or luxury boutiques.

In e-commerce, we're talking about customer conversion ratio. This shows how many visitors a retailer turns into a buyer. It's easy to calculate if you already know your retail customer traffic. Just take the number of retail transactions and divide in with the number of people who visited your store. And multiply by 100, if you want a percentage.

Customer conversion ratio = No of transactions / Customer traffic x 100

The effectivity depends greatly on the type of retail business you're in. If you're selling clothing and apparel in a brick-and-mortar retail store, your likely customer transaction effectively is 18-25%. This means one out of five customers buys something. If you're lucky, one out of four. It's never 100%. Even ice cream restaurant on a hot day does not convert 100%, as one of your customers have left his wallet at home! If it's brand new luxury cars, the conversion rate is microscopic by nature.

According to Industry Retailer, the average conversion rate for e-commerce sites is about 2-3%. Sure it differs from industry to industry, but don't feel too relieved if you're in that range. To succeed, you need to be better than others. Just use common sense and browse the Internet to find benchmarks suitable to your retail business, i.e. what you're selling.

3. Average Sale (Average purchase value)

Alright, now you have two essential retail metrics to watch. Going more in depth, you'll be interested in your average sale value. How money dollars, pound, yen or euros your average customer spends in checkout? How has it changed over time?

So you have been working on getting more people into your store, and tried to make them buy each time they visit your store? Calculate the average sale, also called average order value. It's the moment truth in many cases.

Even a business with unsophisticated technology can very easily measure the average sale, but surprisingly they don't. It is measured by dividing the total sales value ($) by the number of transactions. Keep in mind the same customer could initiate multiple transactions; AOV determines sales per order, not sales per customer.

Average sales order value = Total sales value / Number of transactions

This is far the most powerful and the most effective measure of the productivity of the sales system. You get more people to your retail store, they do actually buy more often, but the order average is falling? Watch out, you might be pushing the well-paying customer away. More visitors means more hassle, you need more sales associates and your store might become too crowded.

On the other hand, it can be just about OK if the average sale order value is not growing. In many retail businesses, it is not possible to sell more expensive stuff or buy more at the time.

The average purchasing power of the society does have limits, and so does the rationally acceptable price level. You cannot charge 1000 bucks for a T-shirt. So sometimes the only thing you can do, is to get more customers and more transactions, even if the average value of a purchase is falling.

4. Items per purchase (Size of an average shopping cart)

In the retail business, especially brick-and-mortar outlet, a sold item more roughly estimates for added revenue. It also brings along handling costs like inventory carrying costs, transaction time and salary of sales associates, needs for retail space.

Your point of sale system should be capable of providing you with pretty exact data. If your transaction volumes are low, the number of items may seem insignificant, as a carton of milk equal to an iPad sold. When the sales volumes are higher, it starts making much more sense. If your retail business keeps up good averages per purchase, but the number of items is rising, it means people are buying cheaper products in bulk.

Check your sales offers, maybe you’re overdoing something? Come next month, and nobody buys soap and shampoos anymore because your customers now have large stock at home.

In general, terms, if your average purchases are going up, the item count rises, too. But it would be better if the item count is slower to rise than sales value average. For in the end of the day you want to sell for more money, not just sell more.

Don’t worry if average shopping cart has more items in it. In most cases, bigger is better. Use common sense to assess the situation. You could aim for more items in a shopping cart with 2=3 marketing campaigns.

But there are always limits. For example, it is very hard to force your customers into buying more than one suit at the time. So if you’re selling suits, anything over 1 items per cart is for the better. No to mention brick-and-mortar, where shopping carts have physical limits.

5. Gross margin (Sales profit before costs)

Gross margin is the difference between revenue and cost before accounting for certain other costs. Generally, it is calculated as the selling price of an item, less the cost of goods sold. It’s rather basic math for business to know how much it took you to acquire or produce the thing you’re selling.

23. b) Enumerate the retail communication mix with suitable diagram?

Retailers should consider the range of communication tools that they can mix to communicate their marketing and branding messages. Advertising, sales promotion, public relations, digital marketing, direct marketing and personal selling are examples of important marketing communication tools widely used in the retail industry and other industry sectors.

Indicates an interrelationship between the target customers, the tools and the media. This is because the tools a retailer might choose to target a particular audience will affect the media used to carry the message. It is important to note that deciding on the tools and media involves a complicated set of decisions. Indeed Davies (2001) suggested there are over 2,000 different combinations of interlinked decisions to consider that could affect marketing communication planning.

In order to make such choices, retailers need to select a blend of tools and media that will reach the target audience. Each tool in the communication mix has different characteristics, which affect how they are used in conjunction with the media and communication messages.
According to Fill (2009) four important characteristics can help guide your choice of which communication tool to use for delivering particular marketing communication messages. The four characteristics are:

1. **Communication potential** – focuses on the ability of the communication tool to deliver a personal message, its audience reach and the level of interaction offered.
2. **Credibility** – refers to how the communication tool is perceived by the target audience.
3. **Cost** – includes considerations about how much of the communication budget is required to use a particular tool, ratios of cost per contact and the size of investment required to use the particular communication tool.
4. **Control** – the ability to reach specific target audiences and flexibility to adapt to changes in the communication setting.

The characteristics of each of the communication tools affect how and where they are used, based on the level of:

- **Communication potential**, e.g. television advertising is good at visually informing target consumers of key features and benefits, whereas sales promotions are a call to action, to encourage consumers to make a purchase for example.
- **Credibility** required (tools are perceived and valued differently by the target audience, e.g. public relations score high whereas advertising scores low).
- **Cost** which is a major consideration and the communication budget will influence the choice of communication tools.
- **Control** that is required. (In other words is the message that the target audience receives the same as the one the transmitter intended to send?)

What have you learnt about marketing communications in retailing?

In this section, you have been introduced to some of the key areas of marketing communications – the message, the media and the communication tools. You have considered the basics of the communication model that underpins the development of marketing communication messages. You have also explored what it takes to develop a communication message, how to use communications to build a brand and the characteristics of the different media that might carry marketing communications. In addition, you have identified a range of communication tools which make up the marketing communication mix.

24. a) Elaborate the need and critical issues of visual merchandising ?

Today's global commercial environment, you have to believe that a visual merchandising promotion strategy is what is important in effecting increased profit margins through improved sales and staff throughput. But how well you can put the right visual merchandising display strategy in place can be daunting because the biggest role of providing the shoppers with an unforgettable experience takes skill to simplify components down to those details that are fundamental. Make no mistake that you must consider it a wise investment in expertise and resources for the use of best practice visual merchandising techniques to effectively deal with the challenges in retail. It is primarily about 'the look and feel' of the brand in store and for presenting products in the most effective ways that develop loyalty of customers.

Subtleties

The constant manufacturing of brand-new products, inadequacy of shelf space, loss and prevention, conflicting interests of top management and the recurrent variation in consumer choices, all add to the challenging environment for visual merchandisers. In other words, the challenges in retail in relation to the dynamic characteristics of the target market, the changing and volatility of consumer behavior often times makes it increasingly difficult for visual merchandisers to maintain required clarity and consistency. This is what the art of branding is about, and it is as quintessential for environments as it is for products.

Components and Implementation

The details are in the important components of a visual merchandising strategy and implementation to address some of the challenges in retail and ensure enriching returns. These may include:

- **The attention-grabbing store signs and displays**. Providing product descriptions and promoting schemes like 'Buy One Get One Free' using eye-catching fonts.
- **Recognizing the importance of integrated retail systems**. Effective integration of advanced retail POS system technologies can help control costs and deliver concentrated operability to the business. Given the rapid pace of change within the retail ecosystem, it is essential all IT assets are tracked, monitored and managed in a seamless manner.
- **Shopper engagement at POS**. Good deals versus fostering relationships and knowing also where social media fits in and the tapping the power of crowd-sourcing to enhance product assortment.
- **Effective loyalty systems**. Delivering unmatched customer service to valued customers by being proactive and look for people in need of assistance and be a resource, can distinguish your business from the competition and fosters true and effective "relationship marketing".
- **Multichannel retailing**. The advent of online stores and mobile technology with e-commerce and m-commerce are latest additions to the multichannel mix of mail order catalogues and bricks and mortar stores and are fresh and interesting avenues and benefit for retailers with more opportunities to get their product in front of customers whom they would not have been able to reach with a single channel.
- **New innovations in retail sector**. Retail innovation is about driving down costs and driving up spending. Whether it is inventory control or product mix; ecommerce or cost control, the retail sector should have the capacity to accommodate a sustained flow of pioneering products, innovative channels of delivery and ingenious ways of holding down costs to remain profitable in the most competitive consumer markets.

More to these, visual merchandising is an extension of your store's customer service. Even if you intend to stretch your retail process to web-based shopping, literally changing shoppers' point-of sale environment, and regardless of any challenges in retail, that importance of your brand's visual identity should not diminish. The goal is to project a pleasing and more charismatic image because visual merchandising is about customer loyalty, regardless of the point-of-sale environment.

b) Determine the process of supply chain management in retail?

Retail Supply Chain Management is the process of managing the entire supply chain of retail organisations. The differentiating factor of retail supply chain management from other supply chain management is in the volume of product movement and the fast moving nature of the products of the retail industry.

If you’re new to the game, logistics can seem overwhelming. You might think that you’re not big enough to be throwing around terms like supply chain management. But, if you’re experiencing growing pains like delayed fulfillment times, high fulfillment costs, and the inability to offer competitive shipping options and prices, then you’re ready to optimize your supply chain.

Your retail supply chain is the processes you use to get your products to your consumers. It encompasses everything from obtaining the raw materials to make your product to delivering that product into your consumers’ hands. Retail supply chain management then is how you optimize those processes to maximize both speed and efficiency. You want to be able to deliver your products into a consumer’s hands as fast as you can. However, you don’t want to pay outrageous amounts to do that. You must also optimize your processes to be as efficient and as affordable as you can. Many retailers use logistics software, 3PLs, and integration companies to ensure they’re optimizing their logistics as best as possible.

Why is Retail Supply Chain Management Important?

It can be easy to overlook the importance of supply chain management. You might undervalue its effect on your business operations. But, we think otherwise. Proper supply chain management is important to retailers of any size. It can have a big impact on your costs and gives you a competitive advantage. If you plan on thriving in today’s crowded, competitive retail space, supply chain management should be one of your top priorities, if not the very first.

Lowering Retail Supply Chain Costs

As briefly mentioned above, retail supply chain management focuses on delivering your products as quickly and affordably as you can. Diving into your supply chain processes can help you determine areas where you can cut costs. You’ll be to increase your bottom line without even selling more products.

Some areas where you can usually save costs are improving your storage strategy, improving supplier relationships, analyzing customer demand patterns, and moving supplies faster. Check out this article for other cost reduction strategies for supply chain management.

When you streamline your supply chain management process, you break down silos and operate more efficiently. You’ll speed up order processing and save yourself money. All it takes is evaluating your current processes and determining where you can make improvements. This article provides an in-depth look at how you can find opportunities for supply chain savings.

Gain a Competitive Advantage

By making your supply chain more efficient, your business won't be the only one saving money. Your customers can too! Businesses with low supply chain costs can lower their prices (without going into the red). Your customers will appreciate this.

Supply chain management also helps you deliver a better customer experience. You'll be able to offer better delivery options and shipping prices. Then, you'll build trust with your customers when you deliver accurately and on-time. Don't overlook the importance of doing this for your customers.

According to the UPS Pulse of the Online Shopper, If you're a retailer who can consistently deliver, consumers will choose to buy from you again and again.

Optimizing Your Retail Supply Chain through Integration: Compete with the Big Guys

Big-box merchants like Home Depot and Walmart have large departments dedicated to managing their supply chain. It seems that they have all the power when it comes to negotiating with their suppliers. SMB owners often feel that they can't compete with the likes of Amazon because they just aren't equipped to do so. They don't have the same tools, budget, and relationships.

Integrating your retail systems gives smaller retailers like yourself the power to compete. You too can offer free, 2-day shipping and trust your products will get there in time. If you can perform advance logistics operations, then you'll have more power with your suppliers.

Multichannel management platforms like nChannel's integrates your eCommerce store with your ERP, 3PL, or other backend systems so you can optimize your retail supply chain. You'll be able to perform processes like these and more:

25. a) Define electronic retailing and explain the merits and demerits of electronic retailing?

Online retailing is growing at an astonishing rate, with **online sales** now accounting for around one quarter of the total retail market. Retailers who ignore e-commerce may see their trade lessening as customers continue to shift to ordering products online. However you need to think carefully and weigh all the advantages and disadvantages - backed by good market research - before **deciding on whether or not to trade online**.

Advantages of online retail

The benefits of retailing online include:

- **Easy access to market** - in many ways the access to market for entrepreneurs has never been easier. Online marketplaces such as eBay and Amazon allow anyone to set up a simple online shop and sell products within minutes. See **selling through online marketplaces**.

- **Reduced overheads** - selling online can remove the need for expensive retail premises and customer-facing staff, allowing you to invest in better marketing and customer experience on your e-commerce site.
- **Potential for rapid growth** - selling on the internet means traditional constraints to retail growth - eg finding and paying for larger - are not major factors. With a good digital marketing strategy and a plan a scale up order fulfillment systems, you can respond and boost growing sales. See **planning for e-commerce**.
- **Widen your market / export** - one major advantage over premises-based retailers is the ability expand your market beyond local customers very quickly. You may discover a strong demand for your products in other countries which you can respond to by targeted marketing, offering your website in a different language, or perhaps partnering with an overseas company. See **exporting - an overview**.
- **Customer intelligence** - ability to use online marketing tools to target new customers and website analysis tools to gain insight into your customers' needs. For advice on improving your customer's on-site experience see **measuring your online marketing**.

For more detailed advice guides on how to move into internet retailing see our section on **online selling**.

Disadvantages of online retail

Some negatives of online retail include:

- **Website costs** - planning, designing, creating, hosting, securing and maintaining a professional e-commerce website isn't cheap, especially if you expect large and growing sales volumes. See **common e-commerce pitfalls**.
- **Infrastructure costs** - even if you aren't paying the cost of customer-facing premises, you'll need to think about the costs of physical space for order fulfillment, warehousing goods, dealing with returns and staffing for these tasks. See **fulfilling online orders**.
- **Security and fraud** - the growth of online retail market has attracted the attention of sophisticated criminal elements. The reputation of your business could be fatally damaged if you don't invest in the latest security systems to protect your website and transaction processes. See **security weaknesses**.
- **Legal issues** - getting to grips with e-commerce and the law can be a challenge and you'll need to be aware of, and plan to cope with, the additional customer rights which are attached to online sales. See **the law and selling online**.
- **Advertising costs** - while online marketing can be a very efficient way of getting the right customers to your products, it demands a generous budget. This is especially true if you are

competing in a crowded sector or for popular keywords. See **pay-per-click and paid search advertising**.

- **Customer trust** - it can be difficult to establish a trusted brand name, especially without a physical business with a track record and face-to-face interaction between customers and sales staff. You need to consider the costs or setting up a good customer service system as part of your online offering. For detailed guidance on the problems you might encounter selling online see **common e-commerce pitfalls**.

25. b) Enumerate the international retailing trends with suitable examples?

Unfortunately, "no worries" is now firmly established as the industry? standard send-off for its customers. You may also have noticed that this phrase is the most common expression of apology employed by sales clerks when they make errors or omissions that you, the customer, notice. The subliminal message conveyed by the mindless use of the "No worries" phrase is not: "You are a valued customer so please come again? but rather, "You are a real burden but I forgive you."

Of course, Australia has so far been less exposed to the global downturn in consumer spending and the perceived need among retail company executives to change old ways such as these appears not to be particularly pressing. To them, it really does seem to be a case of "No worries." In other parts of the world, retailers are having to respond to the fact that the weak economy has made consumers not just more price-focused but focused on every aspect of the shopping experience.

No surprise then that a key focus of the best retailers in 2009 has been to find ways of conveying to customers the "you are valuable to us" message. The state of the global economy is not the only reason for this. Shifts in consumer preferences are a motivating factor as well.
For example, the steadily declining power of department stores to drive traffic to the small stores in regional shopping centres is causing specialty retailers to become much more proactive about marketing themselves rather than depending on their large co-tenants to attract customers.

Research by Fox Real Estate Advisory, a US consulting firm, estimates that department stores drive only 25-30% of total regional shopping centre traffic flow these days, compared with approximately 70% during the 1980? The way specialty retailers are responding varies from the technology-intensive to the more emotional type of marketing appeal. Here is my list of the of the most important global trends in retail marketing in the second half of 2009.

1. Mobile marketing.

Mobile marketing program by giving it both mobile phone number and explicit consent to be contacted with promotional offers. The retailer thus builds a database of customers with whom it has authority to conduct real-time communications.

The communication itself often takes the form of text messages alerting the customer to new products, special deals and other promotional offers. The messages can also contain coupons that are embedded with a code that is entered into the retailer?s point-of-sale (POS) system at the checkout.

2. Mobile commerce.

Consumers are being given the capability through their mobile phones of shopping, checking order status, signing up for text alerts and other interactive functions.

The important thing is that the retailer?s mobile commerce site is optimised for a small phone screen so that the shopping experience is comparable to that of sitting at a normal computer screen.

3. Green products and performance equivalence.

A challenge confronting the growing number of natural product retailers in sectors such as food and cosmetics is to convince consumers that natural products are not just better for the environment but also perform with equal effectiveness to artificial products. Providing scientific evidence of product effectiveness is now a key feature of some companies? marketing campaigns. For instance, Estee Lauder?s Origins division recently launched a skin-care product called Youthtopia that was advertised with claims such as: ?73 percent saw younger looking skin with fewer lines? and ?75 percent agreed their skin felt firmer.?

4. Popup shops.

These are temporary stores set up by retailers either in unconventional locations (e.g. churches or university campuses), or in vacant conventional retail space. They are used by retailers to introduce themselves into new markets where they have not yet established a real estate presence. Mainstream retailers such as Target (US), Limited, Gucci and Brooks Brothers have been using popup stores to reach new untapped communities. Increasing retail vacancy rates are creating signficantly greater opportunities for popup stores.

5. Corporate responsibility.

The issue of green and sustainable retailing is closely associated with the broader topic of corporate responsibility, which involves community involvement, charitable giving, fair trade and good working conditions for employees. In Europe and America social responsibility is now high on the list of shopper purchasing criteria. The best retailers believe they can no longer afford to appeal to material self-gratification alone.

6. Customisation.

Retail chains are making a greater effort to tailor merchandise assortments to local markets. However, the customisation trend runs much further than that. For example, US drug store retailer CVS offers customisable gift cards whereby visitors to its website are able to create virtual gift cards with a personalised look and feel, incorporating customer-selected colours, fonts and greetings. After selecting the dollar amount of the gift card shoppers can also specify the date, time and destination of email delivery. The virtual gift card can be printed by the recipient and brought to the store for redemption.

7. Advancing technology ahead of the point-of-sale.

Technology went mainstream at the till a long time ago but now mobile handheld devices are being used in a variety of ways to speed the checkout process and improve the efficiency and enjoyment of the shopping experience. For example, portable terminals are now being used by some retailers that enable customers to scan items before they reach the checkout, where they simply need to pay. These technological tools, like corporate responsbility, add to a retailer?s cache and represent a genuine marketing advantage.

8. Social media.

Retailers are increasingly using social media networks such as Twitter and Facebook as market research and marketing channels. The sites provide an opportunity for retailers to form and inter act with communities of consumers, and to direct them to virtual or physical space such as other websites or physical stores.

9. Using vacant shop windows as advertising signs.

This is the classic case of making a silk purse out of a sow?s ear: use the increasing number of vacant shop windows in shopping centres to promote retailers and retailers? products. This can often be hi-tech, involving the use of digital displays, and draw the shopper?s attention to specific merchandise or promotions in a nearby store.

10. Discounting and giveaways.

Surprise surprise, they are still here despite massive inventory reductions that have created so-called ?zombie stores? (stores that have large areas of vacant space and half-empty shelves). Don?t expect the promotional marketing tool to be put down anytime soon.