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Certificate Course

In

Retail and Sales Management

GC-CRS1 Retail Management

JAGAT GURU NANAK DEV
PUNJAB STATE OPEN UNIVERSITY, PATIALA
(Established by Act No. 19 of 2019 of the Legislature of State of Punjab)

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CERTIFICATE COURSE IN RETAIL AND SALES MANAGEMENT

GC-CRS1 RETAIL MANAGEMENT

Learning Objectives:

The course aims to achieve following objectives1. To define various concepts related to retailing

2. To analyse the evolution of retail industry

3. To understand the Marketing mix for retail Industry

4. To summarize the key challenges facing retailers

SECTION A

Unit I: Introduction to Retail Management: Meaning of Retail Management, Retail Management Process, Retail Services Retailing- Marketing. Retailer Equation- Marketing Concepts applied to retailing-Retailing as a career - Trends in Retailing. Retail Model and Theories of Retail Development- Life cycle and phase in growth of retail markets- Business Models in retail- other retail models.

Unit II:– Retail locations: Importance of Retail locations, Types of retail locations, Factors Determining the location decision, Steps involved in choosing a retail location, Measurement of Success of location, Strategy for effective market segmentation, Retail value chain.

Unit -III - Space Management – Definition of Space Management, Store layout and Design, Concept, meaning of Visual Merchandising, Various types of Promotions Strategy.

Unit IV - Retail Marketing Mix - Concept, component, Retail Marketing Mix, Retail Communication Mix, POP Displays.

SECTION B

Unit -V – Customer Relationship: Relationship Marketing Strategies, CRM, Challenges and Threats in global retailing.

Unit VI: Retail Scenario: Retail Environment, Indian Retailing Scenario and Retail Industry at

Global level.

Unit VII: Contemporary issues in retail management: Internationalisation and Globalisation

Of Retailing, E-retailing, Green retailing.

Suggested Readings:

1. Levy Michael, Weitz Barton-Retailing Management, V Edition, Tata McGraw

Hill, New York.

2. Berman Berry, Evans J.R.-Retail Management- A Strategic Management Approach, IX Edition, Pearson Education, New York.

3. Pradhan Swapna-Retailing Management Text and Cases, I Edition, Tata McGraw Hill, India.

4. Nair Suja-Retail Management, V Edition, HPH, Mumbai.

5. Sinha, Uniyal-Managing Retailing, Oxford University Press, Delhi

6. Srivastava, S. (2012). Marketing Strategies Adopted By Retailers in Retail Store: A

Case Study of Max Lifestyle Store-Phoenix Mall, Lucknow. IJRFM, 2(2), 12–21.

7. http://marketingland.com/retail-marketing-strategies-connecting-dots-13967

http://www.marketingdonut.co.uk/marketing-strategy/the-five-principles-of-retail

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CERTIFICATE COURSE IN RETAIL AND SALES MANAGEMENT

GC-CRS1- RETAIL MANAGEMENT

COURSE COORDINATOR AND EDITOR: DR. SULAKSHNA

SECTION A

UNIT NO.	UNIT NAME
UNIT 1	INTRODUCTION TO RETAIL MANAGEMENT
UNIT 2	RETAIL LOCATIONS
UNIT 3	SPACE MANAGEMENT
UNIT 4	RETAIL MARKETING MIX

SECTION B

UNIT NO.	UNIT NAME
UNIT 5	CUSTOMER RELATIONSHIP
UNIT 6	RETAIL SCENARIO
UNIT 7	CONTEMPORARY ISSUES IN RETAIL MANAGEMENT

UNIT- 1 INTRODUCTION TO RETAIL MANAGEMENT

STRUCTURE

1.0 Objectives

After completing this Students will be able to

- Define the concept of retailing
- Understand the various career options available
- Explain the various retail models & theories of retail development

1.1 Introduction

Retailing includes all the activities involved in selling goods & services to final customers for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. Any organization selling to final consumers whether it is a manufacturer, wholesaler, or retailer – is doing retailing. It is not mattering how the goods are sold. The distribution of products begins with the producer and ends at the ultimate consumer. Between the producer and consumer there is a middleman – who is retailer. Who links the producer and ultimate consumer`s? The word _retail‘ is derived from the French word retailer which means _to cut a piece off�to 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.

1.2 Meaning- Functions And Special Characteristics Of Retailer

Characteristics of Retailers

- 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 sphere in the market.

Functions Performed by a Retailer

- 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.

Advantages of Retailing

- **Better Quality –** In choosing the quality, the retailer has an upper hand. A retailer can choose the products with quality & discard the damaged ones as they only buy small amounts. On the contrary, the wholesaler will not have a say in the quality.
- **Build & Maintain Awareness –**Marketing helps company generate brand awareness when they first open. They may have the best products & services around, but without marketing, targeted audience doesn`t realize that. Word of mouth helps, but this evolves slowly if they don‘t introduce their company to a consumer population in the beginning.

- **Targeted Promotions –** Leveraging customer relationship database tools retailers can more efficiently target specific customer with personalized promotions. Direct mail & email marketing campaigns are used to create an interactive relationship with primary customers.
- **Generate Loyalty –** In the long run, the goal for most retailers is customer loyalty. This emotional attachment can bring customers to buy from you even if it inconveniences them, & they are very resistant to promotional efforts by your competitors. Consistently reinforcing your brand messages in marketing & backing them up with products & service quality help generate this loyalty.

Limitations of Retailing

- **Huge Maintenance –** It can also be seen that retailers have to spend more in maintaining the retail space as they have to attract the customers. On the other hand, a wholesaler need not worry about the space as it is only the retailer who buys form him.
- **Less Profit as compared to the Wholesaler –** But even then, wholesaler gets more money as he sells in bulk. A retailer just sells only one product at a time.
- **Charges more price as compare to the wholesaler –** The wholesale price is always lower than the retail price. This is mainly because retailer has to include many more costs while selling the goods. The retailer has to add costs like the salaries of the employees, rents of shops, sales tax, advertising of the goods that he buys from a wholesaler.
- **Unpredictable –** One of the drawbacks of working in retail is that it is very unpredictable. Sales can plummet in a business overnight, which can negatively affect job security .in some cases, retail store might have to cut back on employees or close down because of the lack of sales.

  This makes the retail industry very difficult to count on.
- **Dealing with Customers –** Although many customers will be pleasant & enjoyable to work with, retailer has to inevitably deal with some who are rude & inconsiderate. Retailer will have to deal with these customers professionally, setting aside your personal feelings & focusing on what is best for the company.

1.3 Retail Management Process

The retail management process involves a series of steps and activities that retailers undertake to effectively operate and manage their retail business. These steps may vary depending on the size, nature, and type of retail business, but generally include the following:

- **Retail Strategy:**
  Retailers start by defining their retail strategy, which includes setting their overall goals and objectives, identifying their target market, and deciding on their positioning in the market. This step also involves analyzing the competition, conducting market research, and identifying customer needs and preferences.
- **Merchandise Planning:**
  Retailers engage in merchandise planning, which involves selecting and procuring the right mix and quantity of products to offer in their stores. This step includes forecasting demand, determining inventory levels, setting prices, and establishing vendor relationships.
- **Store Operations:**
  Retailers manage the day-to-day operations of their stores, including staffing, training, and scheduling employees, managing store layout and visual merchandising, ensuring store cleanliness and safety, and maintaining inventory accuracy.
- **Marketing and Promotion:**
  Retailers engage in marketing and promotional activities to attract and retain customers. This includes creating marketing campaigns, managing advertising and promotions, implementing loyalty programs, and utilizing various marketing channels such as social media, email marketing, and online advertising.
- **Sales and Customer Service:**
  Retailers focus on delivering excellent customer service and maximizing sales. This involves training and empowering sales associates, monitoring sales performance, analyzing customer feedback, and continuously improving customer experience in-store and online.
- **Financial Management:**
  Retailers manage their financials, including budgeting, financial reporting, cash flow management, and inventory control. This step also involves analyzing sales data, monitoring key performance indicators (KPIs), and making data-driven decisions to optimize profitability and growth.
- **Technology and E-commerce:**
  Retailers leverage technology to streamline operations, enhance customer experience, and drive online sales. This includes utilizing point-of-sale (POS) systems, inventory management software, e-commerce platforms, and other retail technology solutions to

improve efficiency and competitiveness in the digital age.

- **Performance Analysis:**
  Retailers continuously analyze and evaluate their performance against their goals and objectives. This includes monitoring sales, profit margins, inventory turnover, customer satisfaction, and other performance metrics, and making adjustments to their retail strategies and operations as needed.
- **Vendor Management:**
  Retailers establish and maintain relationships with vendors, negotiate terms and conditions, and manage the procurement process to ensure timely and cost-effective supply of products.
- **Store Expansion and Growth:**
  Retailers explore opportunities for store expansion and growth, which may include opening new stores, entering new markets, expanding product lines, or exploring new sales channels.

  These are the general steps involved in the retail management process. However, it's important to note that the specific activities and processes may vary depending on the unique characteristics of each retail business.

1.4 Retail Services

Retail services refer to the activities, processes, and experiences that retailers offer to their customers to meet their needs and expectations.

These services can enhance the overall customer experience, differentiate the retailer from competitors, and build customer loyalty. Some common types of retail services include:

- **Product Assistance:**
  Retailers provide product assistance to customers by offering information, guidance, and advice on products, helping customers make informed purchase decisions. This may include providing product demonstrations, product comparisons, and answering customer questions about product features, benefits, and usage.
- **Customer Service:**
  Retailers offer customer service to address customer inquiries, complaints, and issues. This may involve providing prompt and friendly service, resolving customer complaints, processing returns and exchanges, and providing after-sales support to ensure customer satisfaction.
- **Personalization:**

Retailers offer personalized services to create a unique and tailored shopping experience for customers. This may include personalized product recommendations, customized offers and promotions, and personalized communication through email, SMS, or other channels.

- **Convenience Services:**
  Retailers provide convenience services to make the shopping experience more convenient and efficient for customers. This may include services such as online ordering with in-store pickup, home delivery, gift wrapping, alteration and tailoring services, and extended store hours.
- **Loyalty Programs:**
  Retailers offer loyalty programs to reward and incentivize repeat purchases and customer loyalty. This may include offering loyalty points, discounts, exclusive offers, and special perks to loyal customers.
- **Payment Options:**
  Retailers offer various payment options to accommodate different customer preferences. This may include accepting cash, credit cards, debit cards, mobile payments, and other forms of electronic payments to provide convenience and flexibility to customers.
- **Gift Cards:**
  Retailers offer gift cards as a convenient gifting option for customers. This allows customers to purchase gift cards for others to use in-store or online, providing flexibility and choice for the recipients.
- **Special Events and Workshops:**
  Retailers host special events, workshops, and seminars to engage customers, educate them about products or services, and create a unique experience. This may include product launch events, fashion shows, cooking demonstrations, or beauty workshops.
- **In-store Experiences:**
  Retailers create unique in-store experiences to attract and engage customers. This may include providing in-store demonstrations, offering tasting stations, creating interactive displays, or providing play areas for children.
- **Online Services:**
  With the rise of e-commerce, retailers also offer various online services such as online shopping, order tracking, virtual assistance, and online customer support to cater to the needs of online shoppers.

These are just some examples of the retail services that retailers may offer to enhance the overall shopping experience and meet customer needs. The specific retail services offered may vary depending on the type of retail business, target market, and customer preferences.

1.5 Retailing & Marketing: Retail Equation

The retailing concept is a retail management orientation that focuses on determining the needs of the target market and satisfying those needs more effectively and efficiently than competitors do. Successful retailers are customer centric. The four principles form the retailing concept as depicted in Figure 1.3.

- Customer orientation -The retailer determines the attributes and needs of its customers and endeavors to satisfy these needs to the fullest.
- Coordinated effort - The retailer integrates all plans and activities to maximize efficiency.
- Value driven - The retailer offers good value to customers, whether it is upscale or discount. This means having prices appropriate for the level of products and customer service.
- Goal orientation - The retailer sets goals and then uses its strategy to attain them.

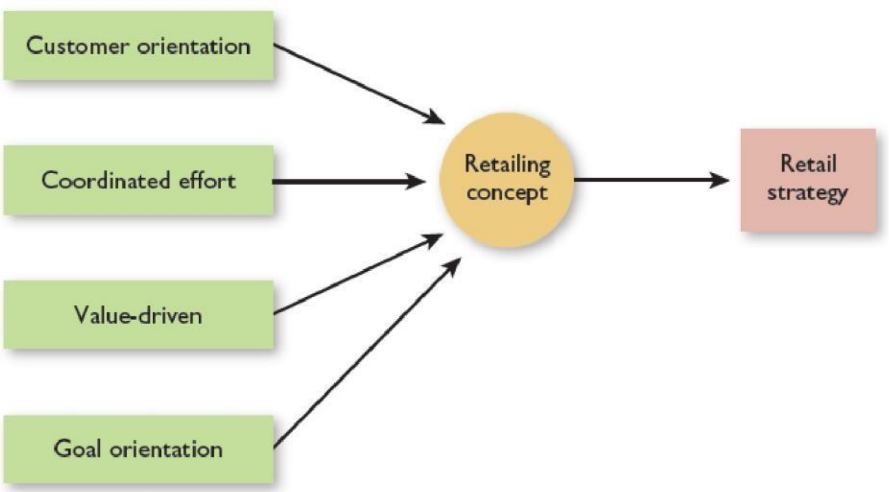

Fig 1:1 The Retailing Concept

1.6 Marketing Concepts Applied To Retailing

Role of Retailer in Distribution Channel

- **Last Link in Distribution Channel –** Retailer is a merchant whose main business is to purchase goods from the wholesalers in small quantities & sell in smaller units directly to the final consumers. Retailers sell in small quantities; they sell directly to the final consumers & the business location of retailers is open to the general consumers. Retailers stock & sell a wide variety of products; their wares consist of fast selling products i.e. consumer goods & they are final link in the chain of distribution of goods.

- **Deals in Small Quantities –** In commerce, retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, & then sells individual items or small quantities to the general public or end user customers, usually in a shop, also called a store. Retailers are to end of the supply chain. Marketers see retailing as part of their overall distribution strategy.
- **Less capital requirements –** Investment size of retailer is small as compared to wholesaler as large number of customers is involved in transactions & to great extent sales takes place on cash basis. Retailers buys in small quantities from various distributors, as they are the one who needs to deal with end users who can demand any product of any seller. Thus to keep customer satisfy in all aspects retailers have to deal in varieties.
- **Availability of Varieties –** Retailers makes purchases from various manufacturers or wholesalers, thus each one of them offering wide variety of products or services. Offers, pricing policies, discounts etc. all differ from seller to seller. To satisfy all the customers retailer has to be full-fledge with all the varieties available in the market else a customer will shift to another seller.

1.7 Retailing As A Career

a. Sales and related jobs:

Sales are the main aspect of retail industry. It is an important part of store operations. The important duty of the sales staff is to sell the products to the customers.

Other than sales, the related job involves, sales associate, cashier for receiving payments by cash, check, debit card, or credit card and operating cash registers etc.

The retail staff also discharges duties like preparing displays, making deposits at cash office, taking inventory etc. depending upon their working hours. The retail staff should be well equipped with excellent communication skill. In a very short span of time retail revolution has taken place.

b. Store manager:

A store manager is the person ultimately responsible for the day- to-day operations or management of a retail store.

All employees working in the store report to the store manager. Store manager is responsible for managing human resource, hiring team, indulging training and development programmes, managing profit and loss of the store, banking, and handling customer complaints.

c. Visual merchandiser:

Visual merchandising is the activity of promoting the sale of goods. Visual merchandising is an art intended to increase sales. It is a tool to achieve sales target. It is the art of displaying merchandise in such a manner that appeals to the eyes of the customer.Visual merchandiser is responsible for merchandising. Creativity is essential to be a good visual merchandiser. Visual merchandising includes window displays, signs, interior displays etc. A combination of colour and theme plays an important role in visual merchandising.

d. Regional Sales Manager:

A regional sales manager reports to national sales manager. A regional sales manager requires excellent interpersonal and communication skill. A Retail Sales Manager is responsible for the day-to-day operations of a retail store

They also must have computer skills and be patient with both employees and customers. Retail Sales Managers must be able to motivate and organize their employees.

A retail sales manager must have obtained a degree in marketing, business or communication. Regional managers are responsible for a group of retail stores. They visit stores to observe performance and to help solve problems. Regional managers report store performance to company headquarters and make important decisions concerning employees.

e. Finance and Accounting:

A retail store requires well run financial department. A financial manager is responsible for keeping the records of accounts of income, paying expenses, maintaining financial records, cash flow control, banking etc. The financial manager must be efficient enough to handle the risk of debts.

f. Human resources:

Human resource is one of the most important aspects in retail industry. This aspect focus on recruiting right people for a particular job, because the success of retail depends upon right sales force.

The HR function includes recruitment, selection, training and development programmes, compensation and benefits etc. proper knowledge is require on the part of HR manager to understand qualification and qualities to hire efficient staff. HR function is in dealing with staff grievances and any disciplinary matters.

g. Logistic:

The logistics process consists of the process of integration of several aspects such as material handling, warehousing, information, transportation, packaging and inventory.

The logistics department is entrusted with the responsibilities of ensuring that the entire process of logistics is maintained and developed in accordance with the goals of the business at an economical cost.

h. Marketing:

Marketing. department includes functions like advertising, sales promotion and public relation. People with specialized knowledge, creativity etc are required.

Advertising managers direct a firm‘s advertising and promotional campaign. Marketing managers work with advertising and promotion managers to promote the firm‘s products and services.

1.8 Trends In Retailing

1. Shift from Unorganized to Organized Retailing:

Retailing in India is thoroughly unorganized. There is no supply chain management perspective. The key factors that drive the growth of organized retailing in India are higher disposable incomes, rising urbanization, growing consumerism, nuclear family structure, growing number of educated and employed women population.

2. Store Design:

Irrespective of the format, the biggest challenge for organized retailing is to create an environment that pulls in people and makes them spend more time in shopping and also increases the amount of impulse shopping.

3.Competition:

Competition is increasing between different types of retailers. Discount stores, departmental stores, supermarkets, etc. all compete for the same customers. The small independent retailers survive by providing personal services to the customers.

4. New Form of Retailing:

Modem malls made their entry into India in the late 1990s, with the establishment of Crossroads in Mumbai and Ansal Plaza in Delhi. India‘s first true shopping mall, ‗Crossroads‘—complete with food courts, recreation facilities and large car parking space—was inaugurated as late as 1999 in Mumbai. Malls have given a new dimension to shopping experience.

5. Technology:

Technology today has become a competitive tool. It is the technology that helps the organized retailer to score over the unorganized players, giving both cost and service advantages. Technology has also made possible the growth of non-store retailing.

6. Consumer Buying Behaviour:

In India, there are no uniform trends with respect to consumer buying behaviour. There are visible differences in the shopping pattern of consumers across income segments. Organized retailing has definitely made headway in the upper class.

However, even in this segment, items such as milk, fruits, vegetables and a significant portion of _through-the-month' purchases seem to be done at traditional outlets. Organized retail outlets seem to be associated with branded items/special purchases. Organized retailing does not seem to have made an impact on the lower class, except for _curiosity' shopping.

7.Entertainment:

Modem retail formats provide a place for people to assemble, and a means of entertainment, by providing facilities such as food courts, mini theatre, children's play spaces and coffee shops. These facilities help the customers enjoy shopping.

1.9 Retailmodelandtheories Of Retail Development

Retailing Models

Ownership Based Retailing

Independent Retailers: They own and run a single shop, and determine their policies independently. Their family members can help in business and have no paid workers. The ownership of the unit is generally passed on from one generation to next. The high number of independent stores is associated with the ease of entry into the marketplace, low capital requirements and no or simple licensing provisions. The biggest advantage is they can build personal rapport with consumers very easily. For example, stand-alone grocery shops, florists, stationery shops, book shops, etc.

Competitive Advantages and Disadvantages of Independent Retailers:

The following are among the advantages:

- There is flexibility and _independence' in choosing retail formats and locations strategy.
- Investment costs for leases, fixtures, workers, and merchandise can be held down.
- They frequently act as specialists in a niche of a particular goods/service category.
- Strong control over their operations and strategies.

- Decisions are centralized and layers of management personnel are minimized.
- There is a certain image attached to independents, particularly small ones that chains cannot readily capture.
- They can easily sustain consistency in their efforts since only one store is operated.
- They are often free from unions and seniority rules.
- Owner-operators typically have a strong entrepreneurial drive.
- Their personal interaction with customers, flat organizational structure, and limited resources lead to efficient and effective customer oriented planning that improves profitability.

There are some of the disadvantages of independent retailing:

- In bargaining with suppliers, independent retailers may not have much power because they often buy in small quantities.
- They generally cannot gain economies of scale in buying and maintaining inventory.
- Due to financial constraints, small assortments are bought several times per year. Transportation, ordering, and handling costs per unit are high.
- Operations are labour intensive, sometimes with little computerization.
- They are limited in their access to certain media such as print and TV ads.
- Overdependence on the owner as all decisions is made by one person, and there may be no continuity when the owner/boss is ill, or retires.
- A limited amount of time is spent on long-run planning because the owner is continuously involved in daily operations.

Chain Stores: When multiple outlets are under common ownership it is called a chain of stores. Chain stores offer and keep similar merchandise. They are spread over cities and regions. These usually engage in some level of centralized purchasing and decision making. The advantage is that the stores can keep selected merchandise according to the consumer preferences in a particular area. Chain dominance varies by type of retailer such as department stores, discount stores, grocery stores, stationery, beauty salon, furniture, and book store chains. For example, Big Bazaar, Pantaloons, BIBA, Westside, Shopper‘s Stop, etc. There are also many large foreign chains such as Starbucks, KFC, McDonald‘s, etc.

Competitive Advantages and Disadvantages of Chain Stores:

There are numerous competitive advantages for chain retailers:

- They have more bargaining power due to their purchase volume and often obtain quantity discounts.
- Large chains may also gain exclusive rights to certain items and have private-label goods produced under their brands.
- Chains achieve cost efficiencies when they buy directly from manufacturers and in large volume.
- Efficiency is also gained by sharing warehouse facilities, purchasing standardized store fixtures, and so on.
- Chains use computers in ordering merchandise, taking inventory, forecasting, ringing up sales, and bookkeeping. This increases efficiency and reduces overall costs.
- The chains with national or regional presence, can take advantage of a variety of media, from TV to magazines to newspapers to online blogs.
- Most chains have defined management philosophies, with detailed strategies and clear employee responsibilities.
- There is continuity when managerial personnel are absent or retire because there are qualified people to fill in and succession plans in place.
- Many chains expend considerable time on long-run planning and opportunities and threats are carefully monitored.

Chain retailers also have a number of disadvantages:

- After chains are established, flexibility may be limited. Consistent strategies must be maintained throughout all units, including prices, promotions, and product assortments. It may be difficult to adapt to local diverse markets.
- Investments are higher due to multiple stores and fixtures. There is higher investment in inventory too.
- Managerial control is complex, especially for chains with geographically dispersed branches.
- Lack of communication and delays in making decisions are particularly problematic.
- Personnel in large chains often have limited independence because there are several management layers and unionized employees. Very few chains empower personnel and them more authority.

Franchises: These are stores that run business under an established brand name or a particular format of others based on franchising agreement. Franchising involves a contractual arrangement between a franchisor (a manufacturer, wholesaler, or service sponsor) and a retail franchisee, which allows the franchisee to conduct business under a brand name and a given pattern of business. The franchisee typically pays an initial fee and a monthly royalty (percentage of gross sales) in exchange for the exclusive rights to sell goods and services in an area. Small businesses benefit by being part of a large, chain-type retail institution. They can be of two types:

- **Business format**. The entire business model is recreated for franchisee. Uniform stores, standardized product lines, and cooperative advertising foster a level of coordination. Good for restaurants and other food outlets and service retailing. For example, Pizza Hut, McDonald's, Starbucks.
- **Product format**. Here a franchisee gets the license to sell the products of franchisor. Franchisee operates independently with few rules from the other party such as sets hours, chooses a location, and determines facilities and displays independently. For example, Ice cream parlours of Amul, Nandini, Petrol Bunks, etc.

Competitive Advantages and Disadvantages of Franchising: Franchising has many advantages to both franchisor and franchisee.

- National or global presence is possible for franchisor much quickly.
- Small capital required
- Franchisee acquire well-known names
- Operating/management skills taught by franchisor
- Franchisee gets exclusive selling rights
- Co-operative marketing possible

Disadvantages of franchising are:

- Oversaturation could occur sooner
- Franchisors may overstate potential
- Both the parties are locked into long term contracts
- Agreements may be cancelled or voided
- Royalties are based on sales, not profits
- Ineffective franchised units may damage resale value, profitability

i. Co-operative stores: owned and managed by consumers with the intention of selling necessity goods at lesser price. Consumer cooperatives are most popular in food retailing. Cooperatives are only a small part of retailing because they involve consumer initiative and drive; consumers are usually not experts in retailing functions, cost savings and low selling prices are often not as expected, and consumer boredom in running a cooperative frequently occurs.

Merchandise Based Retailing

Merchandise based retailer are basically classified as food retailers and general merchandise retailers. The food-oriented retail formats are: convenience store, conventional supermarket, and food-based superstores. More staff is required to provide information, and demonstrate merchandise. For example, department stores have higher prices than discount stores because of their higher costs. Let us see some of these retailers in detail:

i. **Convenience Stores:** Convenience stores offer only limited assortments and variety, and they charge higher prices than supermarkets. They target consumers who want to make quick and easy purchases. They also are exploring the use of technology to increase shopping convenience. The ease of shopping at convenience stores and the impersonal nature of many large supermarkets make convenience stores particularly appealing to their customers. For example, a mom-and-pop store, stores located near petrol pumps, 7-Eleven from US, etc.

ii. **Supermarkets:** These are large stores with high volume and low profit margin. A conventional supermarket carries about 30,000 SKUs, limited assortment supermarkets, only stock about 2,000 SKUs. Self-service has enabled supermarkets to cut costs as well as increase volume. Personnel costs have reduced, and impulse buying increased. The car and the refrigerator have contributed to the supermarket‘s success by lowering travel costs and adding to the life span of perishables. For example, Food Bazar and Tesco.

iii. **Hypermarkets:** A hyper market is a combination of a departmental store and a super market. Thus, hyper market offers a huge variety of goods and services ranging from stationary items to groceries, from kitchen ware to electronic appliances, from furniture to jewellery, etc. It therefore provides a one stop shop to the customers**.** They target consumers over large area, and often share space with restaurants and coffee shops. The hypermarket can spread over the space of 80,000 sq. ftto 250,000 sq.ft. A hyper market usually offers huge discounts to the customers. The structure of the hypermarket resembles that of a huge warehouse and has a lot of parking space. Example- Big Bazaar, Hyper City, Vishal Mega Mart, Walmart from US.

iv. **Specialty Stores:** Specialty stores concentrate on a limited number of complementary merchandise categories and provide a high level of service. Specialty stores tailor their retail strategy with narrow assortment categories with high depth. Among the most popular categories of specialty stores are apparel, personal care, auto supply, home furnishings, electronics, books, toys, home improvement, pet supplies, jewellery, and sporting goods. They occupy at least 8000 sq.ft. Selling space. For example, Croma from India, High & Mighty from UK.

v. **Departmental Stores:** they carry broader assortment categories with limited depth and offer good customer services. The store is divided into various departments such as and cosmetics, books and stationary, housewares goods, electronics, etc. The major departments are women‘s, men‘s, and children‘s apparel, home furnishings, cosmetics, kitchenware, and small appliances. Examples are Shoppers Stop, Ebony, etc.

vi. **Discount Stores: D**iscount stores are retailers that offer a broad assortment at lesser price. Full-line discount stores confront intense competition from category specialists that focus on a single category of merchandise. They operate as a high-volume, low-cost outlet selling a broad product assortment for less than conventional prices. It is more apt to carry the range of general merchandise once expected only at department stores, including electronics, furniture, and appliances as well as auto accessories, gardening tools, and housewares. Less fashion-sensitive merchandise is often carried. Buildings, equipment, and fixtures are less expensive; and operating costs are lower than for traditional department stores and specialty stores.

vii. **Factory Outlets:** A factory outlet is a manufacturer-owned store that sells closeouts, discontinued merchandise, irregulars, cancelled orders, and sometimes in-season, first-quality merchandise. Manufacturers can control where their discounted merchandise is sold. Outlets are profitable despite prices being up to 60 percent less than customary retail prices.

viii. **Category Specialists:** By offering a complete assortment in a category, category specialists can ―kill‖ a category of merchandise for other retailers and thus are frequently called category killers. Using their category dominance and buying power, they buy products at low prices and are ensured of supply when items are scarce. For example, Home Depot, Office Depot, Sapna, Decathlon, etc.

ix. **Flea Market:** It is traditional, street selling where shoppers touch and sample items, and haggle over prices. Vendors used to sell only antiques, bric-a-brac, and assorted used merchandise. Today, they also frequently sell new goods, such as clothing, cosmetics, watches, consumer electronics, housewares, and gift items.

x. **Shopping Mall:** A shopping mall is a retail establishment whereby there is a mix of stores, food court, entertainment zones including gaming zones, movies and parking facilities. They occupy the place in the mall as tenants. Examples of malls are Ambience Mall, Gurgaon, Elante Mall, Chandigarh, etc.

Non-Store Based Retailing

Non store based retailing means a retail format that is not confined to the walls of a particular area. It is the form of retailing where the retailer is in direct contact with the consumer at the workplace or at home. The consumer becomes aware of the product via email or phone call from the retailer, or through an ad on the television, or Internet. The seller hosts a party for interacting with people. Then introduces and demonstrates the products, their utility, and benefits. Buying and selling happens at the same place. The consumer itself is a distributor. For example, Amway and Herbalife multi-level marketing. Non-Store based retailing includes non-personal contact based retailing such as:

i. **Internet Channel:** Online retailing creates an _endless showroom‘ to help customers browse through thousands of products in all varieties, sizes, colours, and fabrics and to get contextual information. This endless showroom enables the customers to make a more informed decision and buy faster. All Web site elements including navigation, information search, product and price offerings, product availability, order processing, and shipment tracking, impact the informational and experiential value customers seek. For example, Amazon, Flipkart, Myntra.

ii. **Mail Orders:** This is also called Catalogue store where a printed or electronic catalogues are sent to the customers through mail or other forms. The consumer can refer a product catalogue on internet and place order for purchasing the product via email/post. The use of catalogues is coming under attack from consumer groups that believe these are an unnecessary waste of natural resources. But catalogues are not going away. Their role is shifting from primarily generating sales to driving traffic to the Internet and physical stores.

iii. **Television Home Shopping:** these are programs designed for cable channels where the product information along with demo is provided to customers at home. The three forms are (1) cable channels dedicated to television shopping, (2) infomercials, and (3) direct-response advertising. Infomercials are longer ad programs, which are typically run for half an hour to forty-five minutes**.** Direct-response advertising is shorter advertisements providing product information and contact numbers to place orders. Although most consumers with cable or satellite television access can patronize a television shopping channel, relatively few watch on a regular basis. Furthermore, most of the purchases are made by a relatively small proportion of viewers. The major advantage of TV home shopping is that customers can see the merchandise demonstrated either on their television screens or through streaming videos on the Internet. In response to the increase in cooking, decorating, do-it-yourself, and other lifestyle programming, home shopping retailers have incorporated more demonstrations into their programming in an attempt to educate their potential customers and create more drama. For example, Asian Sky shop.

iv. **Automated Retailing:** also known as vending machine, are typically placed at any convenient places such as in offices or university campuses. The vast majority of automated retailing sales are from cold beverages, candy, and snacks. It is most convenient to the consumers and offers frequently purchased items round the clock. It eliminates use of sales personnel and allows 24-hour sales. Machines can be placed wherever convenient for consumers—inside or outside stores, in motel corridors, at train stations, or on street corners.

v. **Direct Selling:** Direct Selling is a retail format which as the name suggests is a form of selling which involves personal contact with the customer. Further it can be divided into three types:

(i) Party plan in which the seller invites his friends, neighbors and other acquaintances to his home for a party and displays the goods there. People see the displayed goods and buy them,

(ii) Multi-level networks where there is a network of people who further appoint other people to work with them for distribution of goods for a commission. Many cosmetics selling firms are largely using this multi-level networks to sell their products, and

Door to door selling where the salesmen are sent door to door to sell the goods to people. Sometimes this form of selling becomes a part of academic curriculum and helps to train students to sell their products.

Mainly the articles like books, housewares items, kitchenware items, cosmetics, imitation jewellery are sold by this method. Tupperware and Amway use this method of selling their products.

Other Nontraditional Forms of Retailing

i. **Kiosk:** A kiosk is a small shop generally seen at malls, airports, railway stations, bus stands, etc. They offer some specialized services. A kiosk can be one side or two sides open. At some places, they are not operated by human beings like ATMs.The video kiosk is a freestanding and interactive system that displays products and related information on a screen. It often has a touch screen for consumers to make selections. They can be placed anywhere, occupying less spaces are cost effective techniques for retailers.

ii. **Airport Retailing**

In the past, the leading airport retailers were fast-food outlets, tiny gift stores, and newspaper/ magazine stands. Today, airports are a major space of retailing. At virtually every large and medium airport, there are full-blown shopping areas. And most small airports have at least a fast-food retailer and vending machines for newspapers, candy, and so forth. The potential of this retail market is huge. Airport stores are expensive as they pay more rent. With growth in domestic and international air travel and many travellers waiting at airports after check ins and waiting for connecting flights, these locations are becoming more lucrative.

Retailing Theories

All dynamic developments in retailing, from the birth of department stores in the last century to the recent emergence of hypermarkets have been in response to a changing environment. Retailing firms that once occupied a unique position, such as traditional department and discount stores, are now being squeezed by more innovative firms. Changing customer demands, new technologies, intense competition, and social changes create new opportunities even as they shake up existing businesses. In fact, the retail business formats have been changing very rapidly, mainly as a result of technological influences. The Web and Internet technologies have created a plethora of opportunities for the Web-based business model of retailing. This has triggered a competition of sorts among many a retailers with their own selves. Besides, the challenge for the retailers now is to keep abreast of the latest formats to maintain and grow their market share and compete within their respective bands. To understand the changes in retailing business in a better way, we will now examine the theories of change in retailing.

Theories in Retail

Like every other industry new retail firms have brought innovative approaches in retailing. Retail development can be looked at from different theoretical perspective, as no one theory is universally acceptable. The reason for this unacceptability is mainly because of different market conditions, different socio-economic conditions in the market. The important theories of retailing are;

- Wheel of Retailing
- Retail Accordion Theory
- Theory of Natural Selection
- Retail life cycle

Wheel of Retailing

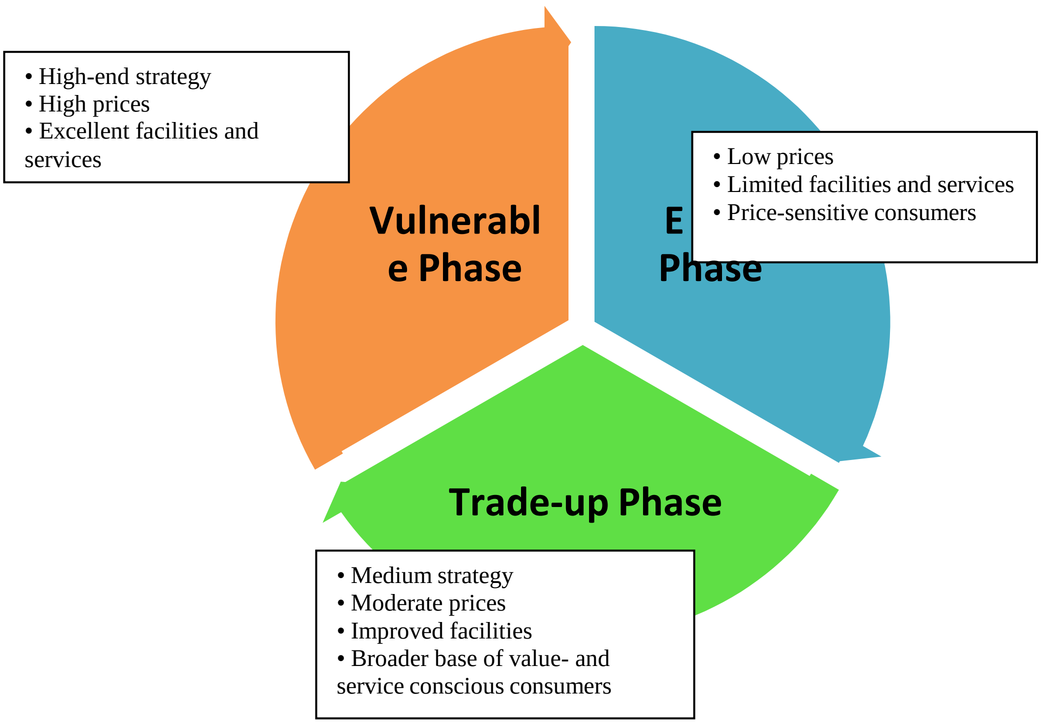

Fig 1.2: The Wheel of Retailing

This theory talks about the structural changes in retailing. The theory was proposed by Malcomb McNair and according to this theory it describes how retail institutions change during their life cycle. When new retail institutions start business they enter as low status, low price and low margin operations. As the retail firms achieve success they look in for increasing their customer base. They begin to upgrade their stores, add merchandise and new services are introduced.

Prices are increased and margins are raised to support the higher costs. New retailers enter the market place to fill the vacuum and competition increases. A new format emerges when the store reaches the final stage of the life cycle. Then the cycle begins again. New retailers enter the market to fill the low-status, low-margin, and low- price niche. This theory is diagrammed as a large wheel with three spokes dividing the wheel into three segments and states that the evolution process comprises three stages:

1. Entry Phase

Starts with offering limited merchandise with low prices and retail organizations, as a strategy, have low margins in order to increase penetration of the market. When these retail outlets are successful, others rival retailers rapidly imitate and adapt those characteristics.

2. Trade-up Phase

As the store progresses in its growth, the organization enters the second stage, which is the trade-up stage where the organization offers full services and a range of merchandise in full prices, without any discounts. These retail institutions simultaneously increase their margins and prices and appeal to more middle and upper income consumers rather than bargain hunting and lower income consumers. It is during this stage that the firms have an increase in sales, high profits and a strong cash flow due to the improvement of their store mix.

3. Vulnerable Phase

In the third stage, according to the Wheel of Retailing Theory, the wheel turns as the store matures in its growth and faces more competition. The innovative store matures into an established firm and becomes vulnerable to the new innovator who enters the market. The strategy is to drop prices and continuous innovations and sound management practices will help the retailer to sustain growth in this phase. An example of this theory is that the Kirana stores being replaced by supermarkets and big stores like Big Bazar and D-Mart.

Retail Accordion Theory

This theory of retail institutional change, evolved by Hollander (1966), suggests that retail institutions go from outlets with wide assortments to specialized narrow line store merchants and then back again to the more general wide assortment institution. This theory was also known as the **general-specific-general theory** and describes how general stores move to specialized stores and then again become more of a general store. The wheel of retailing and the accordion theory are known as the cyclical theories of retail revolution.

The switch to the specialist store from the old time _general‘ store occurred because:

(a) The greater variety of customer goods available could not be accommodated in the old general store

(b) Growth of cities meant that consumer markets allowed profitable segmentation

(c) It provided a social content to the shopping trip, which was required as society became more complex and impersonal.

The tendencies helping to create the new _general' store (superstore or hypermarket) include:

(i) Combining complementary lines, e.g. meat, groceries and produce

(ii) Creaming, i.e. taking the most popular lines from other retail outlets' ranges, e.g. paperbacks, confectionery, to create small but sure profits

(iii) Scrambling, i.e. the taking of risky merchandise from other outlets means buying high margin, lower stock-turn lines, e.g. unit audio, expensive toys

(iv) The growth of shopping centres. Large modern air-conditioned centres, particularly those with a substantial food complement, are somewhat like huge general stores.

Theory of Natural Selection

This can be stated as _retail types (or units), which best adjust to their environment, are most likely to survive'. In this theory environmental factors play major role in survival of retail type. According to this theory retail stores evolve to meet change in the microenvironment. The retailers that successfully adapt to the technological, economic, demographic and political and legal changes are the ones who are more likely to grow and prosper. This theory is considered as a better one to wheel of retailing because it talks about the macro environmental variables as well, but the drawback of this theory is that it fails to address the issues of customer taste, expectations and desires. The major environmental factors affecting retailing are: changes in the consumer character, changes in technology, and changes in competition. If a retail outlet or type does not address to these factors, it may have the fate of dinosaurs.

Today, these once successful retailers have almost died out. The variety store is often cited as an example of a retail format that failed to adapt to changing times. In contrast, television home shopping networks are likely to expand and grow because they are responding to changes in the lifestyles of the consumers. Similarly, the department store is often cited as an example of a retail type failing to adapt quickly to changes in external condition like suburban growth and congestion in town centres. However, these very factors have helped the growth of out-of-town stores.

1.10 Life Cycle And Phase In Growth Of Retail Markets

The concept of product life cycle as explained by Philip Kotler, is also applicable to retail organizations as they pass through identifiable stages of: Innovation / introduction, Growth, Maturity and Decline. This is commonly known as the retail life cycle.

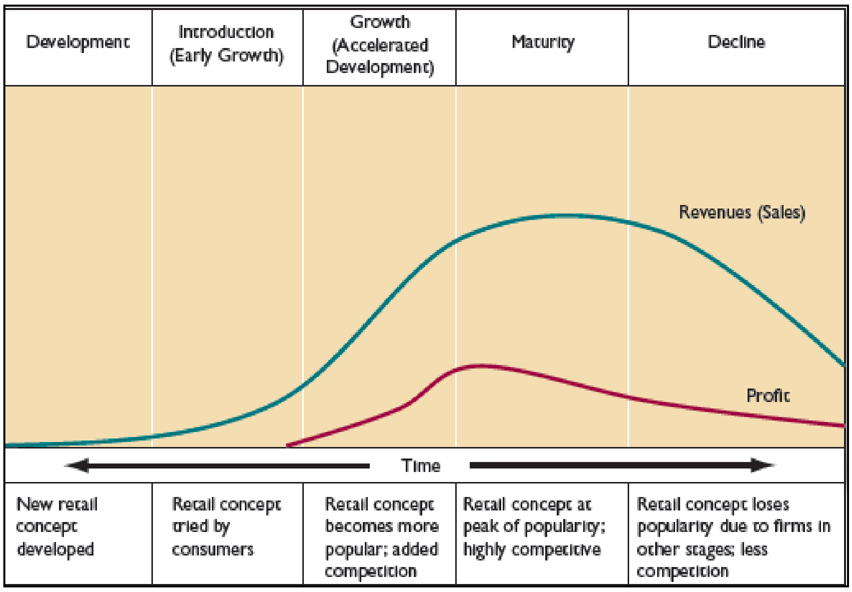

Fig :1.3 - Retail Life Cycle

It is claimed that the retail institutions follow _s-shaped' development through their economic life, that has been classified into four main phases.

1. Innovation

A new organization is born —when in the innovation stage is nascent and has few competitors. They try to create a distinctive advantage to the final customers. Since the concepts are new at this stage organization try to grow rapidly and the management tries to experiment. Profits will be moderate and the stage may last for a couple of years. E-tailing or online shopping is in the innovation stage currently in India.

2. Accelerated Growth Rapid

In the accelerated growth phase the organizations face rapid increase in sales, competitors begin to emerge and the organizations begin to use leadership and their presence as a tool in stabilizing their position. The investment level will be high as there is a lot of competition. Hypermarkets, Dollar stores are in this stage.

3. Maturity

In the maturity stage as competition intensifies newer forms of retailing begin to emerge, the growth rate starts to decline. At this stage firms should start work on strategies and reposition techniques to be in the market place. Supermarkets, cooperative stores are in this stage.

4. Decline

In the final stage of the retail life cycle is the declining phase where firms begin to lose their competitive advantage. Sales and profits fall as new, more innovatory retailers are developing and growing. Profitability starts to decline further and the overheads starts to rise. Thus we see that organizations needs to adopt different strategies at each level in order to sustain in the marketplace

1.11 Business Models In Retail & Other Retail Models

Other Retail Management Theory

Growth in retail is a result of understand in market signals and responding, to the opportunities that arises 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

Model of Wall Mart Retail Organization

Wal-Mart Store is an American multinational retail corporation that operates a chain of discount department stores and warehouse stores. Headquartered in Bentonville, Arkansas, United States, the company was founded by Sam Walton in 1962 and incorporated on October 31, 1969. It has over 11,000 stores in 27 countries, under a total 71 banners. The company operates under the Wal-Mart name in the United States. Wal-Mart is the world's largest company by revenue, according to the Fortune Global 500 list in 2014, as well as the biggest private employer in the world with 2.2 million employees. Wal-Mart is a family-owned business, as the company is controlled by the Walton family. Sam Walton's heirs own over 50 percent of Wal-Mart through their holding company, Walton Enterprises, and through their individual holdings. It is also one of the world's most valuable companies by market value, and is also the largest grocery retailer in the U.S. In 2009, it generated 51 percent of its US$258 billion (equivalent to $284 billion in 2015) sales in the U.S. from its grocery business.

By 1988, Walmart was the most profitable retailer in the U.S. and by October 1989, it had become the largest in terms of revenue. In 1945, a businessman and former J. C.

Penney employee, Sam Walton, purchased a branch of the Ben Franklin Stores from the Butler Brothers. His primary focus was on selling products at low prices to get higher-volume sales at a lower profit margin, portraying it as a crusade for the consumer. He experienced setbacks, because the lease price and branch purchase were unusually high, but he was able to find lower-cost suppliers than those used by other stores. He passed on the savings in the product pricing. Sales increased 45 percent in his first year of the year. Within the fifth year, the store was generating $250,000 (equivalent to $2.48 million in 2015) in revenue.

In 1998, Wal-Mart introduced the "Neighbourhood Market" concept with three stores in Arkansas. Wal-Mart rapidly expanded into the world's largest organisation, many critics worried about its effect on local communities, particularly small towns with many "mom and pop" stores. There were discussions on the economic impact of Wal-Mart on small towns and local businesses, jobs, and taxpayers. It was stated that some small towns can lose almost half of their retail trade within ten years because of a Wal-Mart store opening.

In 2007, Wal-Mart introduced new advertising with the slogan, **"Save money. Live better.‖** replacing **"Always Low Prices, Always",** which it had used for the previous 19 years. In January 2011, at the urging of Michelle Obama and her staff, Wal-Mart announced a program to improve the nutritional value of its store brands over five years, gradually reducing the amount of salt and sugar, and eliminating transfer. Wal-Mart also promised to negotiate with suppliers on nutritional issues. Reductions in the prices of whole foods and vegetables were also promised as well as efforts to open stores in low-income areas, "food deserts", where there are no supermarkets.

April 23, 2011, the company announced that it was testing its new **"Wal-Mart to Go"** home delivery system where customers will be able to order particular items offered on their website.

Wal-Mart Neighbourhood Market is a chain of grocery stores. They are used to fill the gap between discount store and super centres, offering a variety of products. This includes full lines of groceries, pharmaceuticals, health and beauty aids, photo developing services, and a limited selection of general merchandise etc. Wal-Mart opened **"Supermercado de Wal-Mart"** locations to appeal to Hispanic communities in the United States.

Wal-Mart Express is a chain of smaller discount stores, with a range of services, from groceries to check cashing and gasoline service. The concept is focused on small towns not able to support a larger store, and in large cities where space is at a premium.

1.12 unit end Questions

A. Descriptive Question

Long Answer Questions

1. Discuss the nature, importance and scope of retailing.
2. Explain the Challenges and opportunities of retail management,
3. Explain the functions of retailing
4. Explain different formats of food retailing
5. Write a note of service retailing.

Short Answer Questions

1. What are the challenges of retail management?
2. What is retail management?
3. What do you mean by non-store retailing?
4. What are the advantages of a chain store?
5. How retailing is different from wholesale business?

B. Multiple Choice Questions

1. Retailing is the sales of
   a. Goods and Services
   b. Raw material
   c. Skills
   d. Semi-finished Products
2. Retail management makes shopping a
   a. Tedious Task
   b. Pleasurable and enjoyable
   c. An opportunity
   d. Work
3. Retail has not this one in its processes
   a. Supplying to meet demand
   b. Creating demand
   c. The business processes of distribution and marketing
   d. Production of Goods
4. In retailing there is a direct interaction with——-.
   a. Producer
   b. Consumer
   c. Wholesaler

d. All of these

5. Retailing creates following utilities.

a. Time utility

b. Place utility

c. Form utility

d. All the above

Answers:

1.a, 2.b, 3.d, 4.b, 5d

1.13 References

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UNIT- 2 RETAIL LOCATIONS

STRUCTURE

2.0 Objectives

After completing this Students will be able to

- Define the concept of retail locations
- Understand the various types of retail locations
- Explain the various factors determining the location decisions

2.1 Introduction

The three important factors in retailing, leading to a firm‘s success or failure are that ―location, location, location‖ as per of the oldest retailing adages. Location decisions are complex, costs are quite high, there is little flexibility once a site is chosen, and locational attributes have a big impact on retail strategy. Store location is such an important decision for a retailer for many reasons. First, location is the most influential considerations in a customer‘s store-choice decision. Most consumers shop at the supermarket closest to them, and nearest car wash. Second, location decisions have strategic importance because it helps to develop a sustainable competitive advantage. If a retailer has the best location, competitors can‘t easily copy this advantage. Third, location decisions are risky as retailers either make a substantial investment to buy and develop the real estate or commit to a long-term lease with developers and it is hard to change locations. Fourth, the choice of a location requires extensive decision making due to the number of criteria considered, including population size and traits, the competition, transportation access, parking availability, the nature of nearby stores, property costs, and the length of the agreement, legal restrictions, and other factors. Further, in Western Europe and Asia with higher population densities have lesser space is available for retailing, and is costly.

2.2 Importance Of Retail Locations

Retail location area is likewise a significant component for the promoting group to consider while setting retail showcasing procedure. Here are a few reasons −

- Business area is an exceptional component which the contenders can't mirror. Consequently, it can give areas of strength for a benefit.
- Choice of retail store is a drawn out choice.
- It requires long haul capital speculation.
- Great area is the critical component for drawing in clients to the power source.
- A very much found store makes supply and dispersion simpler.
- Areas can assist with changing clients' purchasing propensities.

2.3 Types Of Retail Store's Location

Many types of locations are available for retail stores, each type with its own strengths and weaknesses. Retailers have three basic types of locations to choose from: freestanding, city or town business district, or shopping center.

Freestanding Sites - Freestanding sites or isolated store are an individual, isolated store unconnected to other retailers. However, they might be near other freestanding retailers or a shopping center. The advantages of freestanding locations are their convenience for customers in terms of easy access and parking, high vehicular traffic and visibility to attract customers, modest occupancy costs, and fewer restrictions on signs, hours, or merchandise. These locations are popular for fast-food restaurants, such as McDonald‘s or banks. However, freestanding locations have a limited trade area. Customers who are interested in shopping at multiple outlets on one trip may not be attracted. In addition, freestanding locations have do not offer to share the cost of outside lighting, parking lot maintenance, or trash collection. Finally, freestanding locations generally have little pedestrian traffic, limiting the number of customers who might drop in because they are walking by.

Central Business District - The central business district (CBD) is the traditional downtown business area in a city or town. This is an unplanned business district where two or more stores situate together in such a way that the total mix of stores is not due to prior long-range planning. The central business district has at least one major department store and a number of specialty and convenience stores. Due to its daily activity, it draws many people and employees into the area during business hours. The CBD is also the hub for public transportation, and there is a high level of pedestrian traffic. Finally, many CBDs have a large number of residents living in the area. Shoppers are drawn from the whole urban area and include all ethnic groups and all classes of people. However, limited parking and longer driving times can discourage suburban shoppers from patronizing stores in a CBD. Shopping flow in the evening and on weekends is also slow in many CBDs. Finally, unlike shopping centers, CBDs tend to suffer from a lack of planning. Because of this a number of CBDs are experiencing declined popularity and some are striving to return to their prior stature by modernizing. **Main Street** refers to the traditional shopping area in smaller towns or to a secondary business district in a suburb of a larger city. Main Streets share most of the characteristics of a primary CBD, but their occupancy costs are generally lower. Main Street locations do not draw as many people as the primary CBD because fewer people work in the area and the fewer stores generally mean a smaller overall selection. In addition, Main Streets typically don‘t offer the range of entertainment and recreational activities available in the more successful primary CBDs. Similarly, **Inner City** refers to a high density urban area that has higher unemployment and lower median income than the surrounding metropolitan area. It is riskier and achieves lower returns than other areas. Although income levels are lower in inner cities, these retailers achieve a higher sales volume and higher margins, resulting in higher profits. The offerings at inner-city grocery stores have traditionally been unattractive.

Shopping Centers

A shopping center is a group of retail and other commercial establishments that are planned, developed, owned, and managed as a single property. A shopping center consists of a group of architecturally unified commercial establishments, based on balanced tenancy, and accompanied by parking facilities. By combining many stores at one location, the development attracts more consumers than free standing locations. The developer carefully selects a set of retailers that are complementary to provide consumers with a comprehensive shopping experience, including a well-thought-out assortment of retailers. The shopping center management maintains the common facilities such as the parking area, security, common area lighting, outdoor signage, advertising and special events to attract consumers, and so on. The shopping center management can also place restrictions on the operating hours, signage, and even the type of merchandise sold in the stores. Most shopping centers have one or two major retailers, referred to **as anchor stores** such as supermarkets or department stores because they attract a significant number of consumers and consequently make the center more appealing. Anchor retailers get special deals, such as reduced lease costs, to locate in shopping centers. **Neighborhood and Community Shopping Centers** also called strip shopping centers are attached rows of non-enclosed stores, with on-site parking usually located in front of the stores. These smaller Neighborhood centers are typically anchored by a supermarket or a drugstore and designed for day-to-day convenience shopping. The larger community centers are anchored by at least one discount department store, an off-price retailer, or a category specialist. The anchors are supported by smaller specialty stores offering hardware, flowers, and a variety of personal services, such as barber shops and dry cleaners. The primary advantages of these centers are that they offer customers convenient locations and easy parking and they have relatively low occupancy costs. The primary disadvantage is that smaller centers have a limited trade area due to their size, and they lack entertainment and restaurants. In addition, there is no protection from the weather.

Shopping Malls - Shopping malls are enclosed, climate-controlled, lighted shopping centers with retail stores on one or both sides of an enclosed walkway. Parking is usually provided around the perimeter of the mall. Shopping malls are classified as either regional malls (less than 800,000 sq. ft.) or super malls (more than 800,000 sq. ft.)). Because of their larger size, they have more anchors, specialty stores, and recreational opportunities and draw from a larger geographic area. They often are considered tourist attractions. Shopping malls have several advantages over alternative locations. First, shopping malls attract many shoppers and have a large trade area because of the number of stores and the opportunity to combine shopping with entertainment. They provide an inexpensive form of entertainment. Malls generate significant pedestrian traffic inside the mall. Second, customers don‘t have to worry about the weather, and are appealing places to shop during cold winters and hot summers. Third, mall management ensures a level of consistency that benefits all the tenants. However, malls also have some disadvantages. First, mall occupancy costs are higher than those of strip centers, freestanding sites, and most central business districts. Second, mall managements control operations, such as window displays and signage. Third, competition within shopping centers can be intense. Fourth, freestanding locations, strip centers, lifestyle centers, and power centers are more convenient because customers can park in front of a store. Furthermore, few older malls are located in areas with unfavorable demographics, because the population has shifted from the near suburbs to outer suburbs. Finally, decreased number of potential anchor tenants has diminished the drawing power of enclosed malls.

Other Location Opportunities

Pop-up stores, stores within a store, kiosks, and airports are other location alternatives for many retailers.

- **Pop-Up Stores** - Pop-up stores are stores in temporary locations that focus on new products or a limited group of products. Retailers and manufacturers are using these spaces to create buzz, test new concepts, or even evaluate a new neighbourhood or city. Pop-up stores are even popping-up on college campuses. Other retailers, open temporary stores to take advantage of the holiday season or to get visibility and additional sales, such as, crafts fairs, or farmers‘ markets.
- **Store within a Store -** Another non-traditional location for retailers is within other, larger stores. Retailers, particularly department stores, have traditionally leased extra space to other retailers, such as sellers of fine jewellery, or high-end designer brands. Grocery stores for years share space with service providers like coffee bars, banks, and medical clinics.
- **Merchandise Kiosks -** Merchandise kiosks are small selling spaces, typically located in the walkways of enclosed malls, airports, college campuses, or office building lobbies. Some are staffed and resemble a miniature store or cart that could be easily moved. Others are vending machines, such as the Apple kiosks that sell iPods and other high-volume Apple products. For mall operators, kiosks generate rental income in otherwise vacant space and offer a broad assortment of merchandise for visitors. Moreover, mall kiosks can be changed quickly to match seasonal demand.
- **Airports –** With a high-pedestrian area, airports have become popular with national retail chains. Passengers have more time to shop due to time gaps between connecting flights or longer check in times. In addition, a cutback in airline food service has more people seeking sustenance in the airport. However, rents are higher too. Also, hours are longer, and because the location is inconvenient for workers, they have to pay higher wages. The bestselling products are gifts, necessities, and easy-to-pack items.
- **Home-based** – These days more retail businesses are getting a start at home. Some may move to a commercial store location later, while others remain in the owner‘s spare room. More suitable for small scale retailers, handmade crafts or highly customized products. This type of location is an inexpensive option, but growth may be limited. It is harder to separate business and personal life in this setup.

2.4 Factors Affecting Retail Location Decisions

The best areas for locating stores are those that generate the highest long-term profits for a retailer. Some factors affecting the long-term profit generated by stores include (1) the economic conditions, (2) competition, (3) the strategic fit of the area‘s population with the retailer‘s target market, and (4) the costs of operating stores.

- **Economic Conditions -** Because locations involve a commitment of resources over a long time, it is important to examine the level and growth of population and employment. A large, fully employed population means high purchasing power and high levels of retail sales. But how long such growth will continue and how it will affect demand for merchandise sold in the stores is also important. Areas where the population is large and growing are preferable to those with declining populations.
- **Competition -** The level of competition in an area clearly affects the demand for a retailer‘s merchandise. Walmart‘searly success was based on a location strategy of opening stores in small towns with little competition. Similarly, inner-city neighbourhoods today host many full-service restaurant chains. These markets are attractive because of the lack of competition, the relatively high level of disposable income of the residents, and the large, untapped labour force.
- **Strategic Fit -** The area needs to have consumers who are in the retailer‘s target market and who are attracted to the retailer‘s offerings and interested in patronizing stores. Thus, the area must have the right demographic and lifestyle profile. The size and composition of households in an area can be an important determinant of success. Finally, lifestyle characteristics of the population may be relevant, depending on the target market that a particular retailer is pursuing.
- **Operating Costs -** The cost of operating stores can vary across areas. For example, store rental and advertising costs vary from one area to other. Operating costs are also affected by the proximity of the area in which the retailer operates stores. For example, if a store is located near other stores and distribution centres, the cost of shipping merchandise to the store is lower. The local and state legal and regulatory environment can have a significant effect on operating costs too.

Location Based Retail Strategies

The selection of a location type must reinforce the retailer‘s strategy. Thus, the location-type decision needs to be consistent with the shopping behaviour and size of the target market and the retailer‘s positioning in its target market. Many types of locations are available for retail stores, each type with strengths and weaknesses. Retailers have three basic types of locations to choose from: freestanding, city or town business district, or shopping center. Retailers can also locate in a nontraditional location such as in an airport or within another store. Choosing a particular location type requires evaluating a series of trade-offs. These trade-offs generally involve the size of the trade area, the occupancy cost of the location, the pedestrian and vehicle customer traffic generated in association with the location, the restrictions placed on store operations by the property managers, and the convenience of the location for customers. The A critical factor affecting the type of location that consumers select to visit is the **shopping situation** in which they are involved. Three types of shopping situations are convenience shopping, comparison shopping, and specialty shopping.

1. **Convenience Shopping** - When consumers are engaged in convenience shopping situations, they are primarily concerned with minimizing their effort to get the product or service they want. They are relatively insensitive to price and indifferent about which brands to buy. Retailers targeting customers involved in convenience shopping, such as convenience stores and gas stations, usually locate their stores close to where their customers are and make it easy for them to access the location. Thus, convenience stores are generally located in neighborhood strip centers and freestanding locations. Similarly, Supermarkets, Drugstores and fast-food restaurants also cater to convenience shoppers and thus select locations with easy access, parking, and the added convenience of a drive-through window
2. **Comparison Shopping** - Consumers involved in comparison shopping situations have a general idea about the type of product or service they want but they do not have a well-developed preference for a brand or model. However, the purchase decisions are more important to them, so they seek information and compare alternatives. Consumers typically engage in this type of shopping behaviour when buying furniture, appliances, apparel, consumer electronics, hand tools, and cameras. These competing retailers locate near one another because doing so facilitates comparison shopping and thus attracts customers to the locations.
3. **Specialty Shopping** - When consumers go specialty shopping, they know what they want and will not accept a substitute. They are brand and/or retailer loyal and will pay a premium or expend extra effort to get exactly what they want. Examples of these shopping occasions include buying organic vegetables, or buying a new, high-quality stovetop and oven. The retailers they patronize when specialty shopping also are destination stores. Thus, consumers engaged in specialty shopping are willing to travel to an inconvenient location. Having a convenient location is not as important for retailers selling unique merchandise or services.

2.5 Steps Involved In Choosing A Retail Location

The choice of the store site can be a non efficient cycle, which depends on hunch or natural perception or an impersonation of contenders (or close to contenders) Then again, it could be a methodical interaction, which would be founded on specific boundaries and moves toward be followed. In this article we take a gander at the efficient cycle to be followed which would begin with the retailer initially resolving the inquiry on where to find the retail tire, or his desired district to find the store in.

This might be a locale in city, a state or a global market that he wishes to tap. Subsequent to distinguishing the locale, the accompanying advances must be followed:

1) Distinguish the market where to find the store
2) Assess the interest and supply inside that market for example decide the market potential or the market size and gauge the quantity of shops that would be expected to serve the market.
3) Recognize the most alluring
4) Select the most ideal site that anyone could hope to find.

Market Identification:

The most important phase in showing up at a choice on brick and mortar store is to recognize the business sectors appealing to a retailer. This is significant as need might arise to comprehend the market well, particularly in country like India, here each locale has its own idiosyncrasies and requirements. Comparatively this is likewise significant in the event of a global extension. The Attributes the business sectors of Europe are not quite the same as those of America and the Far East.

Different speculations have been introduced on the most proficient method to check the engaging quality of a market. It is accepted that exploration no store areas expressed after The Second Great War and different social hypotheses introduced speculations in view of the idea of gravity. A few hypotheses, which help decision making regarding the area of the retail location are examined in a resulting segment.

Deciding the Market Potential:

To decide the market potential the retailer needs to think about different components. The boss among them are:

a. Segment Highlights the Populace:

Understanding the elements of the populace is necessary to growing retail showcasing procedure. Information one populace of India can be acquired from the Registration of India reports. Just finding out about the size of the populace isn't sufficient. In India, it is fundamental o know the separation of provincial and metropolitan populace as development of urbanization is again fundamental or the development of retail. The retailer likewise needs to grasp the degree of proficiency and the degree of training in the populace.

b. The qualities of the Families Nearby:

The retailer needs to have an unmistakable comprehension of the typical family pay and the circulation of this pay nearby. This is extremely fundamental as the degree of pay to a great extent decides the benevolent offices require. For instance in a territory which has families with somewhat low wages, a normal bania will undoubtedly exist anyway design clothing retail location is probably not going to succeed. Furthermore, comprehension of the typical age profile of the populace in the space is vital as it supports helps with direction. For instance, a local which has an enormous number of youthful families, might be more situated towards inexpensive food and easygoing dress. A comprehension of the business levels and the sort of work shows the sort of inclinations that the populace might have for specific items or administrations.

c. Rivalry and Similarity:

While deciding the market potential, it is important to check the similarity of the retail location with the other retail outlets in a space. for instance, a decent area for a gift shop would be close to a division tire or a theater or eatery, as such an area would permit possible clients to invest energy taking a gander at the gift shop's showcase windows. Likewise, finding a high design shop close to a bread kitchen or a tool shop may not be a generally excellent thought.

While it is important to check the degree of similarity, doing an examination of the opposition in the proposed area is additionally vital. It is important to attempt to assess their assets and shortcomings, to know the square foot region of the different stores nearby and the sort of profits that they can get per worker per square foot.

2.6 MEASUREMENT OF SUCCESS OF LOCATION

1. Number of Clients (Client Traffic)

Various clients are the most clear measurement for your retail business. Indeed, even a youngster gets that the spot that is swarming with clients should accomplish something beneficial. You typically don't go to a vacant café, isn't that right?

Clients are the sole wellspring of cash for your retail business. As Karl Marx had it, human work enhances land and capital. For a retailer, the more potential clients you get into your shop, the more cash they'll probably abandon.

Assuming you're in online business, it is quite simple to gauge client numbers. It does, notwithstanding, take some involvement with perusing the examination. Most presumably you'll utilize Google Investigation, yet remember that your internet business backend has some guest insights at any rate. Regardless of whether these are not quite so extravagant as Google gives, they are normally simple to peruse and could try and be more exact. Set your benchmarks, contrast results with last year and yesterday.

In the blocks and concrete, focus on the quantity of guests and the quantity of clients. The last option should be visible from your retail location history. Use dependability programs, so your clients distinguish themselves at the counter, then it's a lot more obvious in the event that your retail traffic. Pause! Do you visit your retail locations face to face? Visual assessment can be adequately sufficient. Gauge, before you begin counting.

NB! Various clients are the main metric you can develop vastly, for example as far as possible is the quantity of occupants on The planet. Furthermore, perhaps more, contingent upon your perspectives on extra-terrestrial retail.

1. Effectivity (Retail Transformation Rate)

Okay, we previously needed to recognize retail guests and retail clients. Some guest purchases nothing. It's somewhat impossible in a major shopping center, however exceptionally normal in specialty stores or extravagance stores.

In web based business, we're discussing client transformation proportion. This shows the number of guests a retailer that transforms into a purchaser. It's not difficult to compute assuming that you definitely know your retail client traffic. Simply take the quantity of retail exchanges and gap in with the quantity of individuals who visited your store. What's more, increase by 100, on the off chance that you need a percentage.

Client transformation proportion = No of exchanges/Client traffic x 100

The effectivity relies significantly upon the sort of retail business you're in. On the off chance that you're selling clothing and clothing in a physical retail location, your reasonable client exchange effectivity is 18-25%. This implies one out of five clients purchases something. On the off chance that you're fortunate, one out of four. It's rarely 100 percent. Indeed, even frozen yogurt café on a hot day doesn't change over 100 percent, as one of your clients have left his wallet at home! Assuming that it's pristine extravagance vehicles, the transformation rate is minute commonly.

As indicated by Industry Retailer, the typical change rate for internet business locales is around 2-3%. Sure it varies from one industry to another, yet don't feel better assuming you're there. To succeed, you should be preferable over others. Simply utilize sound judgment and peruse the Web to find benchmarks reasonable to your retail business, for example what you're selling.

2. Normal Deal (Normal buy esteem)

Okay, presently you have two fundamental retail measurements to watch. Going more top to bottom, you'll be keen on your normal deal esteem. How cash dollars, pound, yen or euros your typical client spends in checkout? How has it changed after some time?

So you have been dealing with getting more individuals into your store, and attempted to make them purchase each time they visit your store? Work out the normal deal, likewise called normal request esteem. It's the second truth much of the time.

Indeed, even a business with unsophisticated innovation can undoubtedly gauge the typical deal, yet shockingly they don't. It is estimated by separating the absolute deals esteem ($) by the quantity of exchanges. Remember a similar client could start numerous exchanges; AOV decides deals per request, not deals per client.

Normal deals request esteem = All out deals esteem/Number of exchanges

This is far the most impressive and the best proportion of the efficiency of the deals framework. You get more individuals to your retail location, they really do truly purchase on a more regular basis, yet the request normal is falling? Look out, you may be driving the well-paying client away. More guests implies more issue, you want more deals partners and your store could turn out to be excessively packed.

Then again, it tends to be just about alright in the event that the typical deal request esteem isn't developing.

In many retail organizations, selling more costly stuff or purchase more at the time is beyond the realm of possibilities.

The typical buying force of the general public has limits, thus does the judiciously satisfactory cost level. You can't charge 1000 bucks for a Shirt. So some of the time the main thing you can do, is to get more clients and more exchanges, regardless of whether the typical worth of a buy is falling.

3. Things per buy (Size of a typical shopping basket)

In the retail business, particularly physical outlet, a sold thing all the more generally gauges for added income. It additionally brings along dealing with costs like stock conveying costs, exchange time and pay of deals partners, needs for retail space.

Your retail location framework ought to be fit for furnishing you with pretty careful information. On the off chance that your exchange volumes are low, the quantity of things might appear to be immaterial, similar to a container of milk equivalent to an iPad sold. At the point when the business volumes are higher, it begins checking out. Assuming your retail business keeps up great midpoints per buy, yet the quantity of things is rising, it implies individuals are purchasing less expensive items in mass.

Check your deals offers, perhaps you're exaggerating something? Come one month from now, and no one purchases cleanser and shampoos any longer on the grounds that your clients currently have enormous stock at home.

By and large, terms, in the event that your typical buys are going up, the thing count rises, as well. In any case, it would be better assuming that the thing count is more slow to ascend than the deals esteem normal. For the day's end, you need to sell for more cash, not simply sell more.

Sit back and relax in the event that typical shopping basket has more things in it. As a rule, greater is better. Utilize sound judgment to evaluate what is happening. You could hold back nothing in a shopping basket with 2=3 showcasing efforts.

Be that as it may, there are dependably restricts. For instance, constraining your clients into purchasing more than one suit at the time is exceptionally hard. So in the event that you're selling suits, anything more than 1 thing for every truck is to improve things. No to make reference to blocks and cement, where shopping baskets have actual cutoff points.

4. Net edge (Deals benefit before costs)

Gross edge is the contrast among income and cost prior to representing specific different expenses. For the most part, it is determined as the selling cost of a thing, less the expense of merchandise sold. It's somewhat essential math for business to know the amount it took you to get or deliver what you're selling.

Item cost when sold = Item procuring or making cost + Gross edge

A business lives on gross edge. This needs to take care of the relative multitude of expenses of selling and creation, including compensations, charges, lease, transport, and some other expenses. In the event that your business has obligations to pay, these additionally should be covered by the edge, if not, it's difficult to get by.

General guideline is to set the gross edge sufficiently high so you have a lot of space to scale back. Indeed, even an effective retail business will have a few merchandise that are more diligently to sell. These should be limited.

Clients expect - half or even - 70% limits

As a matter of fact, these days clients are spoilt to the point that they expect - half or even - 70% limits.

By and large, the lower the edges more things you sell and the more changes you have. A few retailers are quite low edge. Costco, Wal-Store set their edges as low are 10-20% territory. A retailer should have many thousands, conceivably a huge number of clients for that.

Attire and clothing retailers find 30-half gross time, and this is short the limits! The more modest the business and the less things there are sold, the higher the edge. Specialty puts away to keep up 100-500%, and there's no need to focus on insatiability except for space, workers, and client per thing sold request higher edge.

NB! Try not to befuddle gross edge and deals markup. Markup is what a retailer includes in front of the pack, bringing about the maximum. A retailer can compute genuine gross edge just when the thing is sold. Gross edge is dependably lower than beginning markup.

Rivalry and providers eat your edges, so you can't push it a lot higher than the business normal, and can't make due assuming that it's much lower than that. Continuously know where you are with a specific item and rebate. Utilize your endeavor asset arranging (retail ERP) to watch out for the gross edge. Frequently it's likewise the main thing the proprietors of a corporate store or store truly care about.

On the off chance that you're getting along admirably, the retail business will have some cash left when stuff is sold and every one of the expenses are deducted. This net benefit. Ordinarily it's multiple times not exactly gross edge. As a definition puts it, net benefit is an organization's remaining benefit subsequent to selling an item or administration, deducting the expense related with its creation and deal.

Net benefit = Income per thing - Cost of things and selling process

Need to analyze the net edge and net benefit per item? It's quite difficult to work out how long and space you spend on a specific item, so consider your consequences and separation by the quantity of things sold. This is what the greater part of the retailers do, despite the fact that exceptional venture the executives programming can be redone to compute the thing's aspect, loading time and considerably more. Get great programming that permits this in future.

Fig:2.1Source:https://erply.com/how-to-measure-retail-performance-5-essential-metrics/

2.7 Strategy For Effective Market Segmentation

For compelling business sector division, the accompanying two techniques are utilized by the promoting power of the association −

1. Focus (Specialty) Methodology

Under this technique, an association centers pursuing enormous portion of only one or not very many segment(s). This procedure gives a differential benefit over contending associations which are not exclusively focusing on one fragment.

For instance, Toyota utilizes this methodology by offering different models under half and half vehicles market.

1. Multi-section Methodology

Under this technique, an association zeros in its promoting endeavors on at least two unmistakable market fragments.

For instance, Johnson and Johnson offers medical services items in the scope of child care, skin health management, nutritionals, and vision care items divided for the clients, everything being equal.

Steps in designing the Strategy

Recognizing your advertising division procedures at last includes noting these five significant questions:

- Who is your customer or business market?
- Where is your purchaser or business market found?
- What is your buyer or business market keen on?
- How might you showcase your items and administrations to this market?
- For what reason are sure fragments intrigued or not inspired by your items or administrations?

Every one of these systems can be utilized to focus on an alternate client base.

A. Segment

Socioeconomics are the most widely recognized type of division. They partition clients by the design of specific populace characteristics:

- Age
- Orientation
- Pay
- Occupation
- Conjugal Status
- Social Class
- Religion
- Instruction

An instance of advertising division utilizing socioeconomics is to consolidate age and pay data to target more seasoned, rich retired folks hoping to move to Florida to sell ocean facing land.

Another segment methodology would advertise dream or war-based computer games principally to more youthful people ages 18-30.

B. Geographic

Territorial socioeconomics can assist you with selling items and administrations, contingent upon where your clients live.

- State

- Area
- Country
- School
- Local area
- Global Advertising

Schools hoping to sell sports product will sell things well inside the state, yet not so well external home domain. Bigger, non-university combinations, for example, the NFL can expect a more extensive client base in North America, however don't have to try marketing as much abroad.

C. Psychographics

Psychographic or way of life division targets client leisure activities and interests. This division system takes care of the most specialty markets, where allure, quality, and memorability are a higher priority than cost.

- Interests
- Economic wellbeing
- Character Type
- Perspectives
- Feelings
- Values

One illustration of a psychographic division system is target top of the line melodic hardware to music devotees that need to gather the best stuff or gear as a superficial point of interest for grandstand assortments.

D. Conduct

Conduct division is somewhat new in the computerized age and thinks about data an organization has gathered through client information reports, overviews, or showcasing patterns.

- Examples of Purpose
- Value Awareness
- Brand Dedication
- Benefits Looked for

Customers need the best brands at the best costs, and their purchasing behaviors anticipate things and administrations they are bound to purchase. Amazon.com calculations track your buys and know that assuming you purchase a book on barbecuing, you may likewise prefer to purchase preparing or grill utensils.

Café menus are additionally separated into cost levels in view of conduct, highlighting specials, and occasional things.

E. Mix Procedure

Selling snow stuff to snowboarding specialists in Park City, Utah, consolidates geographic, psychographic, and segment showcasing fragments. Great craftsmanship is normal, and clients will pay something else for quality, creative snowboards.

Beginning around 1998, CMG has been driving vital showcasing experts for probably the biggest media and correspondences brands around the world. We should talk and characterize your showcasing division system today.

2.8 Retail value chain

The retail value chain refers to the series of activities and processes involved in bringing a product or service from its initial creation or sourcing to the final sale to the end consumer. It encompasses all the stages that a product goes through, from the manufacturer or supplier to the consumer, and includes various intermediaries and distribution channels. Understanding the retail value chain is essential for retailers and businesses to effectively manage their operations and optimize efficiency.

The key stages of the retail value chain typically include:

1. Product Development: This stage involves designing, creating, and conceptualizing products or services. It can include market research, product design, and testing to ensure the offering meets consumer demands and requirements.

2. Sourcing and Procurement: This step involves acquiring the necessary raw materials or finished products from suppliers. Retailers may work directly with manufacturers, wholesalers, or other distributors to secure the products they will sell.

3. Manufacturing or Production: In cases where the retailer is involved in manufacturing or producing the goods, this stage includes the actual production process. Otherwise, this step may be skipped if the retailer sources ready-made products.

4. Distribution and Logistics: This stage involves the movement of products from suppliers to the retailer's distribution centers or warehouses. It includes transportation, warehousing, inventory management, and order fulfillment processes.

5. Retail Operations: This stage covers all the activities carried out in the physical or online retail stores. It includes merchandising, pricing, store layout, customer service, and sales operations.

6. Marketing and Promotion: Retailers engage in marketing and promotional activities to create awareness about their products and attract customers. This may involve advertising,

sales promotions, social media campaigns, and other marketing efforts.

7.Sales: The actual selling of products or services to customers takes place in this stage. It can occur through physical retail stores, online platforms, or a combination of both.

8.Customer Service: Providing post-sale support and resolving customer issues and inquiries fall under this stage. Good customer service is vital for customer satisfaction and retention.

9. Returns and Reverse Logistics: This stage deals with handling product returns, exchanges, and managing reverse logistics, which involves the flow of goods back through the value chain.

10.After-sales Support: This stage involves offering additional services, warranties, or support to customers after their purchase to ensure satisfaction and loyalty.

Each stage of the retail value chain contributes to the overall customer experience and the success of the retail business. Effective management and optimization of each stage can lead to improved efficiency, reduced costs, and increased customer satisfaction.

2.9 Unit End Questions

A. Descriptive Question

Short Questions

1. Define Trading area of a store.
2. What are the advantages of free standing sites?
3. Differentiate between store in a store and merchandise kiosk.
4. What is a pop up store?
5. What is a planned shopping centre?

Long Questions

1. Why is store location such an important decision for retailers?
2. In many malls, quick-service food retailers are located together in an area known as a food court. What are the advantages and disadvantages of this location for the food retailers?
3. Describe advantages and disadvantages of different retail locations.
4. Explain different factors considered while choosing a site for retail store.
5. Write a note on location based retail strategies.

B. Multiple Choice Questions

1. Which type of display minimizes fixture costs?
   a. cut-case display
   b. dump bin display

c. rack display
d. ensemble display

2. The choice of the store_________depends on the target audiences and the kind of merchandise to be sold

a. Product
b. Store
c. Employees
d. Location

3. The_______is the place where customers take a decision on the purchase of the products offered by the retailers.

a. Retail store
b. Store manager
c. Customer
d. Store operations

4. Choosing a particular location type requires evaluating a series of trade-offs. Below is not the part of such trade off.

a. size
b. employee motivation
c. cost
d. customer traffic

5. this is not the advantage of freestanding locations

a. high traffic
b. visibility
c. security
d. occupancy costs,

Answers

1-a, 2-d, 3-a, 4-b, 5-c

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UNIT- 3 SPACE MANAGEMENT

STRUCTURE

3.0 Objectives

After completing this Students will be able to

- Define the concept of space management
- Understand the various ways of using visual merchandising
- Explain the various types of promotion strategy for retails

3.1 Introduction

Space management is a critical aspect of retail marketing that involves optimizing the allocation and utilization of physical space within a retail store to maximize sales and improve the overall shopping experience for customers. Effective space management techniques can help retailers create visually appealing store layouts, strategically place merchandise, and enhance the flow of foot traffic, all of which can lead to increased sales and customer satisfaction.

Here are some key considerations for space management in retail marketing:

- **Store Layout and Design**: The layout and design of a retail store can greatly impact how customers perceive and navigate the space. Retailers need to carefully plan the store layout, taking into account factors such as store size, traffic flow patterns, and customer preferences. Popular store layouts include grid, loop, and free-flow layouts, each with its own advantages and disadvantages. The layout should be designed in a way that guides customers through the store in a logical manner, leading them to high-traffic areas or focal points where key merchandise or promotions are displayed.

- **Visual Merchandising**: Visual merchandising is the art of presenting merchandise in an attractive and enticing way to capture customers' attention and drive sales. Strategic placement of merchandise can be achieved through techniques such as window displays, end-cap displays, and focal points within the store. Retailers need to carefully curate and display merchandise to create visually appealing displays that highlight the features and benefits of the products, as well as convey the brand's image and story.
- **Space Allocation**: Allocating the right amount of space to different product categories or departments is crucial in maximizing sales. High-demand or high-margin products should be given prime real estate within the store, while slower-moving items may require less prominent placement. Retailers can use data-driven approaches, such as sales data and customer insights, to determine the optimal space allocation for different merchandise categories. Regular monitoring and adjustments based on performance metrics can help fine-tune the space allocation strategy over time.
- **Inventory Management**: Efficient inventory management is essential in space management. Overstocked shelves or cluttered displays can create a chaotic shopping experience for customers, while understocked shelves may lead to lost sales opportunities. Retailers need to maintain optimal inventory levels based on demand, sales forecasts, and replenishment cycles to ensure that shelves are adequately stocked without overcrowding the store. Effective inventory management can help maintain a well-organized and visually appealing store environment.
- **Flexibility and Adaptability**: Retailers should also plan for flexibility and adaptability in their space management strategy. Retail environments are dynamic, and seasonal trends, promotions, and changing customer preferences may require adjustments to the store layout, visual merchandising, and space allocation. Retailers should be prepared to make timely changes to their space management approach to optimize sales and customer experience.

Effective space management in retail marketing involves careful planning, strategic allocation of space, visual merchandising, inventory management, and flexibility to adapt to changing retail dynamics. By optimizing the utilization of space, retailers can create an attractive shopping environment, enhance the customer experience, and ultimately drive sales and profitability.

3.2 Idefinition Of Space Management

While planning about layout one must pay attention to floor space which needs to be utilized & distributed properly to small merchandise stores without acting inconvenient to customers.

Features of successful Space Management –

- Convenience to customers
- Provide greatest opportunity for customer to walk around the store & watch through all the merchandise displayed.
- Optimize trading space to achieve maximum sales
- Appeal to all senses of customers by creating an aesthetic & functionally effective ambience

Rules for Successful Space Management

- Remember the golden rule of the retail floor space planning & management game the convenience of the customer comes first.
- Provide the greatest opportunity for the customer to walk around the store & watch though all the merchandise displayed.
- Optimize the trading space to achieve maximum sales, while not neglecting the non-trading are for customer convenience / concessions in order to ensure that they spend a longer time in the store & increase revenues.
- Make the right floor space management decisions after every space audit, making the necessary course-corrections on time as space costs a good deal of money.
- Appeal to all five senses of the customer by creating an aesthetic & functionally effective ambiance.

3.3 Store Layout & Design

Retail Store Design

It is a branch of marketing & considered part of overall brand of store. Retail store design factors in window displays, furnishing, lighting, planning, music & store layout among other features to create a brand or specific appeal.

Role of Store Design in Retail

- It is extension of integrated retail communications
- It is powerful communication weapon
- It is powerful store image
- Provides dual role of attracting customers & inducing customers purchase decision

Objectives

- To keep up with market competitions
- To introduce store concepts to consumers
- To upgrade store relative to competitors
- To improve customer satisfaction rate
- To comply to environmental regulations

Principles of Store Designs

- **Store Location –** An ideal location is one where the cost of product is kept to minimum, with a large market share, the least risk & the maximum social gain. It is place of maximum net advantage or which gives lowest unit cost of production & distribution.
- **Store`s layout –** It is one of the key strategies in its success – therefore, a lot of time, effort & manpower go into its design. Retailers use layout to influence customer`s behavior by designing the store`s flow, merchandise placement & ambience. Layouts also help retailers understand how much revenue per square foot they are making; using this information, they can properly assess the strengths & weaknesses in their merchandising mix. Store layout describes the overall look & feel of the interior of a retail store, including the placement of fixtures & products within the store.
- **Storefront Design –** If the retail store can be compared to a book, then the storefront or store exterior is like the book cover. It must be noticeable, easily identified by passing motorists or mall shoppers, memorable clearly identify the name & general market positioning of the store, & give some hint as to merchandise inside.
- **Interior Design –** It can be broken into architectural elements & design finishes, & encompasses floor coverings, walls & ceilings.
- **Lightning –** It is one of the most important, though often overlooked, elements in a successful store design. Retailers learned that different types & levels of lightning can have a significant impact on sales.
- **Sounds & Smells –** Total Sensory Marketing. Research has shown that senses other than sight can be very important. Many retailers are beginning to engineer the sounds & smells in their stores.
- **Visual Merchandising –** It is the art of presentation, which puts the merchandise in focus & in perspective too. It educates the customers, creates desire & finally augments the selling process.
- **Displays –** It exhibits a wide range of merchandise. With an open display, the customer is encouraged to feel, look at, & tries on products.

Elements of Interior & Exterior Store Design

- A good store design represents value & a positive store image. An aesthetic presentation of merchandise & creative props entice people to come in & purchase products.
- In addition, the image of store provides customers the opportunity to have a delighted shopping experience.

Store Exteriors

The store exterior is often called the storefront, & it includes the store sign, display windows, entrances, outdoor lightning, landscaping & building itself. The store sign is a major element of store exterior. The display windows show a selection of merchandise available in the store. Store exterior comprises the following:

- **Site Selection –** Consideration of all the options keeping in view the product mix, customer profile & overall business model presents & enormous challenge. A retailer has to consider the following factors while selecting a site:
    - Kind of products sold
    - Cost factor
    - Competitors location
    - Ease of traffic flow & accessibility
    - Parking & major thoroughfares
    - Market trends
    - Visibility
- **Space Mix –** It is an ambiguous description of several facets of retail operations. The term, retail space planning refers to product placement or department adjacencies. It is also consider as the study of the distribution of space allotted to particular categories in relationship to their productivity & their inventory balances.
- **Exterior Walls & Signs –** Many retailers use the exterior wall space to promote their store. Painting the name & logo of a business on the exterior is often less expensive than having a custom-made sign. It artwork is used on the exterior of the building; it must conform to the principles of design, appeal to the customer base & be integrated with the rest of the architecture.
- **Windows** – The main purpose of windows is to attract attention & create an image of potential customers standing outside. Humour, theatrical flair, colour, motion & sound playing outside the windows work well to increase the effectiveness of the display. One of the biggest advantages of display windows is the ability to dramatically affect

the exterior of the store. Most of the exterior requires major renovations to change. A retailer can take advantage of its window space to reflect changes in the stores offerings on a seasonal or monthly basis.

Store Interiors

A store interior is usually divided into two sections:

- **The Selling Area** – It is where the merchandise is presented to the customer. Selling area includes shelves, racks holding merchandise, displays, cash registers etc.
- **The Sales Support Area** – It contains amenities for customers, such a restrooms, lounges & cafes. It also includes staff areas & space for merchandise receiving & storage.

Store interior includes the following:

- **Fixtures –** They are primarily used to hold & display the merchandise, help to sell it, to guard it & to provide storage space for it. They come in different styles colours, sizes & textures to enhance the image of merchandise displayed on it.
- **Display** – It exhibits a wide range of merchandise. With an open display, the customer is encouraged to feel, look at, & tries on products.
- **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 & green tend to calm atmosphere & facilitate the smooth flow of customers in the store.
- **Lightning –** It is an integral part of the store design in store exteriors & interiors. Lightning should match with the retailers attempt to create a bright store image.
- **Ceiling –** It represents a potentially important element in the interior design. Higher the ceiling, more the space to heat & cool, at increasing energy rates. Designers are making use of varied ceiling drops to create distinction for different departments within the stores.
- **Flooring –** Flooring choices are important because the covering can be used to separate departments, muffle noise in high traffic areas & strengthen the store image.
- **Shelving –** The materials used for shelving promote the merchandise strategy & enhance the image of the products displayed.
- **Plano gram** – This is a graphical representation that visually shows the space to be allocated by describing where every SKU within a space physically located. The

Plano gram produces a map for the length, height & depth of shelves with the number & location of the SKU.

Store Atmospherics & Aesthetics

- Atmospherics refers to the overall physical attributes of the retail outlet design via visual communications, lightning, color, music & scent to stimulate consumers perceptual & emotional response & ultimately to affect their purchase behavior. An aesthetic presentation of merchandise & creative props entices people to come in & purchase products.
- Exterior & interior atmospherics plays an important role in store success.
- Exterior atmospherics refers to physical environment found outside the store. It significantly affects store traffic & sales. Store exterior includes:
    - Store entrance
    - Main board marquee windows
    - Lightning
    - Height of the building
    - Size of the building
    - Visibility
    - Sign board
    - Uniqueness
    - Surrounding stores
    - Parking facilities, etc.
- The interior atmospherics refers to aspects like lightings, color, interior decorations etc. Role of atmospherics in retail business:
    - Enhance the image of retail outlets
    - Attract new customers
    - Create a definite USP
    - Generate excitement
    - Facilitate easy movement inside the store
    - Facilitate access to merchandise inside
    - Ensure optimum utilization of retail space
    - Ensure effective & desired presentation the merchandise
    - Reduce product search time for the customers
    - Reinforce the marketing communication of the outlet
    - Influence the service quality experience

Store Layout

It is one of the key strategies in its success – therefore, lot of time, effort & manpower go into its design. Retailers use layout to influence customer`s behavior by designing store flow, merchandise placement & ambience.

- Store layout describing overall look & feel of interior of a retail store.
- Including placement of fixtures & products within store
- Effective layouts are designed to expose customers to most products possible given amount of floor space available
- Layout of store has potential to overcome many of negative attributes / emotions customers may carry as they enter retailers store.
- Layout can organize product categories together so that customers find different items they are looking for in one location.

Types of Store Layout

Store layout refers to the interior retail store arrangements of departments or grouping of merchandise. A retail store layout is often designed to make customers spend more money than they planned to. It is important for retailers to evolve a customer friendly layout. This involves paying adequate attention to factors such as expected movements of customers, visiting the store and space allotted to customers to shop, and making adequate provision for merchandise display. Customer friendly layout is likely to motivate the shoppers to move around the store and shop more than what they had planned for.

Factors needed to be taken into consideration while setting a layout are –

- High margin items should be placed in high traffic areas
- High demand items should be placed in low traffic areas.
- Complementary items should be placed near each other.
- Seasonal needs should be considered
- Items needing frequent re-stocking should be placed near store rooms
- Larger department should be placed in lower traffic areas
- Shopping behavior & operational considerations should be recognized.

Store layout planning involves decisions about allocation of floor space, product groupings and nature of traffic flow, which can take the form of straight or gird traffic flow, free form flow (curving) or racetrack flow. Some of the important types are mentioned here.

1. Grid Layout / Race track

It is a commonly used system followed by conventional grocery stores as it facilitates planned shopping behavior so that customers can easily locate products on their shopping list.

Kirana and drugs store owners commonly employ the grid type layout. Grid arrangement is not very aesthetic, but it ensures smooth shopping trips of shoppers within the store.

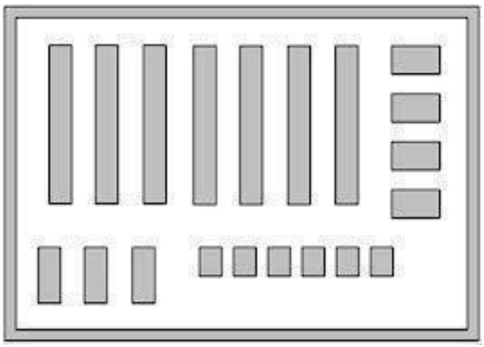

Fig :3.1 Grid layout /Race track

1. **Free form / boutique layout**

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

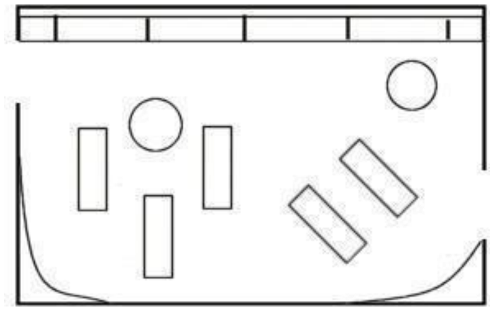

Fig :3.2 Free form / boutique layout

2. **Loop layout**

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

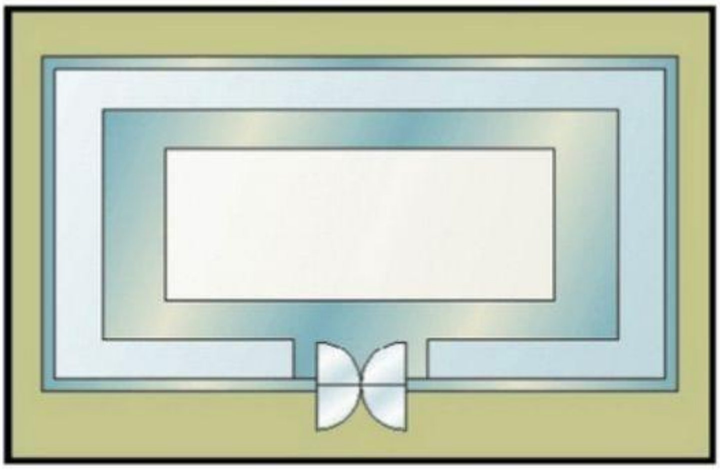

Fig :3.3 Loop layout

4. Storeyed layout

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

3.4 Concept, Meaning Of Visual Merchandising

Visual Merchandising / Display

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

Benefits of effective display -

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

Role of Visual Merchandiser -

It helps a major role in enhancing sales & customer experience. Duties of visual merchandiser includes –

- Planning VM theme & creating displays
- Arranging props for display
- Arranging display fixtures & lightning
- Setting up stores before opening
- Working with floor plans & store requirements
- Organizing merchandise units such as racks & shelves

Role that Visual Merchandiser plays are –

- To enable sales of products / services sold by retailers
- To inform & make consumers aware about product / services
- Enable shopper to know about colour, sizes, prices etc.
- Enhance store image

Tools used by Visual Merchandiser –

- Colours & tectures
- Fixtures & merchandise presentation
- Windows
- Props
- Lightning
- Mannequins

Techniques of Visual Merchandise –

- Methods of Display –
  - Open Display – customer is encouraged to feel, look at & tries on the products. e.g. – greeting cards, fruits, vegetables etc.
  - Closed Display – customers are encouraged to look at the merchandise but not touch it or try it on. E.g. – jewelry, software etc.
  - Theme Set Display – it depicts what products are offering in thematic manner & sets a specific mood. Retailers often vary their displays to reflect seasons or special events, some even have employees dress for occasion.
  - Ensemble Display – it is a complete product bundle (ensemble) is presented rather than showing merchandise in separate categories.
  - Rack Display – it has a primarily functional use of neatly hang or present products. Current technology enables retailers to use sliding, disconnecting, contracting / expanding, light weight, attractive rack displays.
  - Case Display – it exhibits heavier, bulkier items than racks hold. E.g. books, bakery items etc.

Planograms

A planogram is a visual diagram, or drawing, that provides details on the placement of every product in a retail store. These schematics not only present a flow chart for the particular merchandise departments within a store layout but also show which aisle and on what shelf an item is located. A planogram should also illustrate how many facings are allocated for each SKU.

The complexity of a planogram may vary by the size of the store, the software used to create the planogram and the need of the retailer.

Planograms can be as simple as a photo of a preset section or more detailed with numbered peg holes and shelf notches showing exact placement of each item. In my stores, we used an Excel spreadsheet for our planogram. It was crude for sure, but it worked. And it did not cost us any money which was my favorite part.

Planograms are so significant to the retail sales plan:

- **Space Elastic Demand -** The amount of space or facings a product is allocated will have a significant impact on the products sales. This is often called ―space elastic demand‖. It is imperative for products that are both popular and profitable to be positioned optimally with enough facing allocation on shelves at stores. When this principle is not fully leveraged the opportunity cost for retailers is significant.
- **Centralisation -** Because planograms help dictate store layouts they also serve as an opportunity for retailers to make stores consistent with their sales strategy. The result is that the consumer actually experiences your strategy while visiting your stores.
- **Product and Category Performance Measurement -** After the first planogram design and implementation cycle, the next re-designed rollout is based on previous results. This continuous re-designing means that your stores space allocations are continually refined for optimised sales and consumer satisfaction.

Short-term benefits of implementing well-designed planograms?

- Your data will be clean and products will be classified.
- Better grasp of product and category performance.
- Better space allocation and therefore, an immediate increase in sales.
- Improved awareness of space value and space return
- Improved store consistency and retailer brand awareness

Long--term benefits of implementing well-designed planograms?

- Maximizes selling potential for every inch of Shelf Space.
- Your Sales Strategy will be realized at store level.
- Significant increase in sales and stock rotation.
- Customers are presented with attractive visual merchandising.
- Customers are presented with attractive yet efficient product selection.
- Reduced inventory holding while reducing of out-of-stocks.
- Product replenishment will be Simplified and Optimized.

Display

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

Benefits –

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

Merchandise Presentation Techniques

A. Display

Display consistent with the store image. It evokes a more fashion-forward image & is more aesthetically pleasing but it forces customers to search in each stack for his size.

Methods of Display –

- **Open Display** – With an open display, the customer is encouraged to feel, look at & tries on products.
- **Closed Display** – With a closed assortment, the customer is encouraged to look at merchandise but not touch it or try it on.
- **Theme-set Display** – A theme-setting display depicts a product offering in a thematic manner & sets a specific mood. Retailers often vary their displays to reflect seasons ot special events, some even have employees dress for the occasion.
- **Ensemble Display** – With an ensemble display, a complete product bindle is presented rater than showing merchandise in separate categories.
- **Rack Display** – A rack display has a primarily functional use to neatly hang or present products. It is often used by appeal retailers; house wares retailers & others this display must be carefully maintained because it may lead to product cutter & shoppers, returning items to the wrong place.
- **Case Display** – A case display exhibits heavier

Errors in Creating Display

You may say that there isn't very much time to cover much of these suggestions and information and this is the main reason for which articles like this one actually exist. We've gathered here the most frequent mistakes that people do when it comes to displaying merchandise and, of course, some advice to avoid or correct them:

- **Too much merchandise or too little?** The correct amount of merchandise that you want to display is connected with what you want to communicate. If you sell luxury items, bear in mind that the more expensive the item is, the fewer you should display. Crowded displays may suggest cheap merchandise or discounts. Too little merchandise may suggest that you're going out of business, or you're not very prosperous. Also, it can be seen as a sign of carelessness; sometimes you can see empty mannequins for days in window displays and people that don't even bother doing something about that. So be very careful, and don't exaggerate!
- Some stores have their displays **crammed with many similar items.** This situation might be perceived as aesthetically intriguing to the viewer. It is a violation of the principles of harmony and rhythm, and it's not advisable under any circumstances. The items that you display shouldn't render a boring aspect because it won't attract customers. You definitely don't want your store to resemble a factory where similar products are disposed in straight shelves.
- At the same time, you're not conveying any message if you **display too many different items** that tell their own story and should be emphasized on their own. You don't put into displays each and every type of items that are in the store. Displays are meant to show the best you have. If the best you have is quantity and you intent to show that to the customers, then you should probably make use of many dress forms and / or torsos in the display and apply the principles of harmony and rhythm. Use a creative and simple scheme that won't make the display look too crowded.
- Using too **many mini themes** in a display is also disorienting. Customers might find it hard to understand what products are actually highlighted, what is the specific of the store and of the merchandise.
- **Not paying attention to the small details.** You need to take a closer look each time you enter the store after e period of not being there. If you have any merchandise suspended from the walls or ceilings, you need to make sure that it's still there. Things may fall, and you don't want that to be seen by the customers or to decrease the effectiveness of the display. Errors are seen as a lack of implication and

seriousness.

- **Lack of rhythm:** the principle of rhythm is frequently violated when many small items are displayed in a single area with no attempt to keep the eye following a planned pattern. Try to create a display in which all items are visually tied together and visible from different angles. Don‘t place important merchandise behind other items, even though the main reason is to create surprise or to attract. Surprises don‘t generally work in displays; make use of them inside the store by hinting this in the display or at the entrance through a signage.

Specific Presentation Techniques

- **Idea-oriented Presentation -** It is a method of presenting merchandise based on specific idea or image of store which encourages customers to make multiple complementary purchases
- **Style / Item Presentation -** Arranging items by size, colour, brand or type is most common method of organizing many types of merchandise
- **Colour Presentation -** It is a technique to let customers know that store is ―the place‖ to purchase clothing or item of that particular colour
- **Price Lining -** It is when retailers offer a limited number of pre-determined price points & / or price categories within another classification. This helps the customers to easily find merchandise at price they wish to pay.
- **Vertical Merchandising -** In this, merchandising is presented vertically using walls & high gondolas. Stores can effectively organize merchandise to follow eyes natural movement. Customers shop left to right, going down each column, top to bottom.
- **Tonnage Merchandising -** In this large quantity of merchandise are displayed together.
- **Frontal Presentation -** In this retailers expose as much as of the product as possible to catch customer`s eye.

3.5 Various Types Of Promotions Strategy

A retail advancement is an enticing showcasing procedure intended to drive deals. Most retail advancements appeal to rationale and criticalness. They impart to customers, "This is an incredible arrangement, and you would rather not pass up a great opportunity."

At the point when you run retail advancements, utilize coordinated showcasing to arrive at possibilities on different channels. Integrate both print and internet publicizing, including email, natural online entertainment posts, and paid promoting whenever the situation allows. You can utilize retail advancements for one or the other blocks and concrete or online store promoting. Effective advancements give a lift in deals and may persuade uncertain possibilities now is the ideal time to purchase.

6 sorts of retailer advancements and how to carry out them in your business

Mix exemplary and innovative retail advancements to create buzz, connect with shoppers, and increment deals. As you think about different retail advancements, remember your main interest group. What kind of advancement will engage them?

1. Rate and dollar sum limits

Limiting items might be the most well-known kind of deals advancement. Everybody cherishes a deal, so it's a good idea to offer deals limits when you need to collect consideration.

You can offer a rate markdown, for example, "20% off," or offer dollar sum bargains, for example, "$5 off." Special valuing can broaden storewide, or it can apply just to specific items. Storewide draws in the most buzz, however it's essential to do what works for you.

Ways to carry out:

- Use sparingly: Consistently think about your main concern. Recall that business limits ought to feel like an extraordinary event, not something individuals generally expect as the standard.
- Pick a rebate that will sound appealing to customers: By and large, rate limits perform better, regardless of whether the dollar sum bargain has more critical investment funds. With costly things, appealing dollar limits, for example, "$50 off" in some cases convert better. Your most appealing limited time special relies upon apparent worth, your costs, and your interest group.

2. BOGO

In retail wording, BOGO implies Buy One, Get One. You may at times see the abbreviation BOGOF for Get One, Get One Free. Additionally, a few retailers offer get one, get one half off bargains.

These offers allure clients since they cut down on shopping responsibility. Individuals feel more open to burning through cash when they secure an arrangement they wouldn't typically get. For possibilities wondering whether or not to make a buy, BOGO arrangements can push them in the correct heading.

Ways to execute:

- Use to clear stock: Like limits, BOGO advancements ought to be carried out sparingly. Frequently, retailers use BOGO advancements to move stock. Thus, on the off chance that you're hoping to get out some free from your stock, BOGO is a strong choice.

- Offer an arrangement that will change over: Get one, get one half off could sound enticing, however BOGO bargains ordinarily convert better. Get one, get a rate off bargains frequently baffle shoppers on the grounds that the arrangement applies to the more affordable thing. Customers search for less expensive things for these arrangements, which prompts lower income.

3. Item or coupon giveaways

Contemplate sending virtual coupons to first-time customers or clients who burn through a specific measure of cash with you. At the point when somebody gets a coupon in their inbox, it feels more elite and urges them to get back to your store.

You could in fact utilize designated promoting to strategically pitch items in view of a client's buy history. For instance, a client who buys another bathing suit could get a coupon for 5% off on ocean side towels.

You may likewise need to have item giveaways or challenges. Section to giveaways might require buying an item, finishing up a structure that incorporates an email address, or enjoying and sharing your image via online entertainment.

A barbecued cheddar giveaway is portrayed on a PC screen, with a sandwich, shrewd broiler and section structure.

Ways to carry out:

- Think about your objectives: Would you like to focus on holding faithful clients? Go with coupons or marked gifts. Could it be said that you are keen on building brand mindfulness and expanding your web-based entertainment following? Have a giveaway via web-based entertainment. Need to beef up your email list? Require email tends to on your giveaway passage structure. Ensure participants realize you're adding them to your email list. Even better, permit them to pick in to the special messages they need to get.
- Ponder your ideal interest group: Pick giveaways that will invigorate your main interest group and make them talk. On the off chance that you don't know, utilize a study or a survey to request existing clients what type from item giveaway they might want to see.
- Advance: In the event that you believe your giveaway should shake things up, advance it across promoting channels. Send messages, post much of the time on your

web-based entertainment, and even make a presentation page on your site. In the event that you run a physical store, drape flyers in your store or spot them in clients' packs.

4. Unwaveringness focuses

Unwaveringness programs are an extraordinary speculation since they increment client maintenance and boost their lifetime worth to your organization.

With devotion focuses, clients procure focuses each time they shop with you. They procure limits, free things, or advantages, for example, free transportation when they arrive at a specific number of focuses.

A few retailers likewise grant focuses for activities like social sharing, composing surveys, and alluding different clients.

Ways to carry out:

- Begin little: You believe that clients should feel your award framework is beneficial, yet you would rather not give out inordinate focuses and lose cash. Contingent upon your sticker cost and normal request sum, begin with something little, similar to one point for every $25 spent. In the wake of following deals and focuses measurements, change depending on the situation.
- Make your principles and choices understood: Obviously make sense of how clients can reclaim their focuses. Expressly state how focuses can and can't be utilized. Will your focuses last endlessly, or will they in the long run lapse? What provisos would it be a good idea for you to near keep away from clients gaming your framework? Anything you choose, keep it basic and helpful for a heavenly client experience.
- Utilize existing instruments: Contingent upon the retail programming you use, you'll track down a few devices to add a dependability program to your internet based store. For instance, Woo Commerce offers an assortment of unwaveringness program modules. Showcasing application for Woo Commerce highlighting devices to advance a brand involving the module.

3. Occasional offers

Occasional advancements convey direness since they're accessible temporarily.

Think exceptional items like pumpkin-flavored lattes at Starbucks or yearly occasion deals in retail chains.

Frequently, occasional advancements connect with significant occasions in your clients' lives, like buying a present for Mother's Day or setting up their youngsters to return to school.

Ways to execute:

- Look at the opposition: Are your rivals advancing occasional offers? What are they getting along admirably, and what are they doing ineffectively? How might you offer something else and better? Assessing contending offers is dependably a supportive activity, regardless of whether you can't consolidate these thoughts until the following year.
- Get innovative: You don't need to run your occasional advancements all the others. Ponder your specialty. On the off chance that you sell cleaning items, for instance, hold a spring cleaning deal. Do you sell blossoms or plants? Send off an Earth Day advancement. Or on the other hand accomplish something more imaginative than your typical occasional deal, for example, offering free gift wrap or a "mid-year staycation." Markdown items like books, games, or home style are ideal for at-home escapes.
- Streamline your landing page: Other than advancing your contribution on all showcasing channels, improve your site's landing page. Utilize occasional varieties and symbolism and add motivate buttons.

4. Coordinated efforts

Join forces with one more neighborhood brand or business to use each other's scope and assets. Joint efforts frequently lead to exceptional advancements that create a great deal of interest.

For instance, co-have a giveaway or deal a creative item pack in every one of your stores. In the event that you sell barbecues, for instance, band together with a neighborhood supermarket for a patio grill giveaway. Likewise, a store selling high quality diaries and a brand gaining practical experience in wellspring pens could advance a packaged item. Another thought is to give a coupon to your accomplice store when clients shop with you, as well as the other way around.

Ways to execute:

- Distinguish an integral brand for your organization: You would rather not work with an immediate contender; however, you would like to team up with a brand with a comparable crowd. Utilize your insight into your interest group to pick a brand with some cross-over.
- Advance on both of your sites and showcasing channels: Augment the valuable chance to interface with another brand's crowd. As a feature of your joint effort, settle on how you will both cross-advance through your web-based entertainment accounts, email records, and sites.

3.6 Unit End Questions

A. Descriptive Question

Short Questions

1. Extensive analysis is required for assessment of retail location. Discuss
2. Give an example of a market penetration, a retail format development, a market expansion, and a diversification growth strategy.
3. State the rules for successful space management
4. What is the role of store design in retail
5. State the principles of retail store design

Long Questions

1. Explain the various types of promotions strategy
2. State the elements in detail for exterior & interior store design
3. Diagrammatically explain various types of store layout
4. Note on visual merchandiser
5. Note of various techniques used in visual merchandising

B. MULTIPLE CHOICE QUESTIONS

1.____________are bigger and transparent and show much of what is going on in-store

a. Window Displays
b. Gondolas
c. Racks
d. Shelves

2.___________presentation of products in order to sell them

a. Store design
b. Retail location
c. Store layout
d. Visual merchandising

3. _______ factors in window displays, furnishing, lighting, planning, music & store layout among other features to create a brand or specific appeal.

a. Retail store design
b. Store manager
c. Customer

d. Store operations

4. Choosing a particular location type requires evaluating a series of trade-offs. Below is not the part of such trade off.

a. Store design
b. Retail location
c. Store layout
d. Visual merchandising

5. ________ is a visual diagram, or drawing, that provides details on the placement of every product in a retail store.

a. Window Displays
b. Gondolas
c. Planograms
d. Shelves

Answers

1-a, 2-d, 3-a, 4-a, 5-c

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UNIT- 4 RETAIL MARKETING MIX

STRUCTURE

4.0 Objectives

4.0 Objectives

After completing this Students will be able to

- Define the concept of retail marketing mix
- Understand the various forms of retail communication mix

4.1 Introduction

The retail marketing mix, also known as the retail marketing strategy, refers to the combination of various marketing elements or tactics that retailers use to promote their products or services, attract customers, and drive sales. The retail marketing mix typically includes the following elements:

- **Product:** The product element of the retail marketing mix involves decisions related to the assortment, quality, features, packaging, branding, and pricing of the products or services offered by the retailer. Retailers need to carefully curate their product offerings based on customer preferences, market trends, and competitive analysis, and ensure that the products meet customer needs and expectations.
- **Price**: Pricing is a critical element of the retail marketing mix, as it directly impacts customer perception, sales, and profitability. Retailers need to determine the optimal pricing strategy for their products or services, considering factors such as cost of goods, competitor pricing, customer demand, and perceived value. Pricing strategies can include premium pricing, discount pricing, bundle pricing, and promotional pricing, among others.
- **Place:** Place, also known as distribution, refers to the location and channels through which retailers sell their products or services. Retailers need to carefully select the right locations for their stores or online platforms, taking into consideration factors such as customer demographics, competition, accessibility, and foot traffic. In addition, retailers need to determine the appropriate distribution channels, such as

brick-and-mortar stores, e-commerce websites, mobile apps, or social media platforms, to reach their target customers effectively.

- **Promotion**: Promotion involves the various marketing communications and tactics that retailers use to create awareness, generate interest, and stimulate demand for their products or services. Promotion strategies can include advertising, public relations, sales promotions, social media marketing, influencer marketing, and other promotional activities. Retailers need to develop integrated marketing communication plans that align with their brand positioning and customer segments, and effectively communicate the value proposition of their products or services to attract and retain customers.
- **People:** People, or employees, play a crucial role in the retail marketing mix. Retailers need to invest in recruiting, training, and retaining competent and customer-oriented staff who can deliver excellent customer service and enhance the overall shopping experience. Well-trained and motivated employees can significantly impact customer satisfaction, brand perception, and repeat purchases.
- **Physical Evidence**: Physical evidence refers to the tangible elements in a retail environment that impact the customer experience. This includes store layout and design, visual merchandising, signage, packaging, and other physical cues that customers encounter during their shopping journey. Retailers need to create an attractive and visually appealing store environment that aligns with their brand image and creates a positive impression on customers.
- **Process**: Process refers to the operational and procedural aspects of retailing that impact the customer experience. This includes processes related to inventory management, order fulfillment, returns and exchanges, checkout process, and customer service. Retailers need to ensure that their processes are efficient, convenient, and customer-friendly, to provide a seamless shopping experience and build customer loyalty.

The retail marketing mix is a strategic framework that retailers use to make decisions and implement marketing tactics to drive sales, build brand loyalty, and create a positive customer experience. It requires careful planning, coordination, and integration of various marketing elements to effectively meet customer needs and achieve business objectives.

4.2 Concept

Customer expectations keep rising, especially when it comes to in-store shopping. Today‘s on-demand shoppers expect a comfortable retail shopping environment and want to create their own unique shopping experiences. Therefore, a retailer needs a superior communication strategy to properly position itself in the minds of target market and to influence their shopping behaviour. As soon as customers are attracted, the retailer must strive to create an engaging shopping experience for them. Various physical and symbolic cues can be used to do this. It is imperative to maximize the total retail experience for shoppers. For example, researchers have found that shoppers‘ experiences at online retailer Web sites drive their expectations of the shopping experience in stores.

Retailers need to leverage the tangible strengths of physical stores to create interactive and inspired social experiences through theatrical product displays, as well as professional assistance by knowledgeable and friendly store associates to maximize the total retail experience for shoppers.

The communication program informs customers about the retailer as well as the merchandise and services it offers and plays a role in developing repeat visits and customer loyalty. Communication programs can have both long- and short-term effects on a retailer‘s business. In the long-term, communication programs can be used to create and maintain a strong, differentiated image of the retailer and its private-label brands. This image develops customer loyalty and creates a strategic advantage. In addition, retailers frequently use communication programs to realize the short-term objective of increasing sales during a specified time period. For example, supermarkets usually place weekly ads with coupons that can be used to save money on purchases made during the week.

4.3 Components

A brand is a distinguishing name or symbol, such as a logo, that identifies the products offered by a seller and differentiates those products from the offerings of competitors. In a retailing context, the name of the retailer is a brand that indicates to consumers the type of merchandise and services offered by that retailer. Some retailers develop private-label brands that are exclusively sold through their channels. In some cases, private-label merchandise bears the retailer‘s name such as Big Basket, while others use special brand names such as Golden Harvest, Tasty Treat, so on.

- **Value of Brand Image**

  Brand image refers to how a retailer is perceived by customers and others. To succeed, a retailer must communicate a distinctive, clear, and consistent image. Once its image is established in consumers‘ minds, a retailer is placed in a niche relative to competitors. For global retailers, it can be challenging to convey a consistent image worldwide, given the different backgrounds of consumers.

Brands provide value to both customers and retailers. Brands convey information to consumers about the nature of the shopping experience, the retailer‘s mix, they will encounter when visiting a retailer. They also affect customer‘s confidence with a particular retailer. Finally, brands can enhance customer satisfaction with the merchandise and services they buy.

The value that a brand image offers to retailers is referred to as brand equity. Strong brand names can affect the customer‘s decision-making process, motivate repeat visits and purchases, and build loyalty. In addition, strong brand names enable retailers to charge higher prices and lower their marketing costs. Thus, strong brand image enables retailers to increase their margins.

- **Building Brand Equity**

The activities that a retailer needs to undertake to build brand equity are (1) create a high level of brand awareness, (2) develop favorable associations with the brand name, and (3) consistently reinforce the image of the brand.

Brand Awareness - Brand awareness refers to a customer‘s ability to recognize or recall a brand name. It is the strength of the link between the brand name and the type of merchandise or service in the minds of customers. Retailers build top-of-mind awareness by having memorable names; repeatedly exposing their names to customers through advertising, locations, and sponsorships; and using memorable symbols. Some brand names are easy to remember, such as the name Home Depot. Zara does very little advertising but has high awareness because of the large number of stores it has in great locations. Symbols involve visual images that typically are more easily recalled than words or phrases and thus are useful for building brand awareness. For example, the image of an apple and the golden arches enhance the ability of customers to recall the names Apple Store and McDonald‘s.

Associations - The value of the brand is largely based on the associations that customers make with the brand name. Brand associations are anything linked to or connected with the brand name in a consumer‘s memory. For example, some of the associations that consumers might have with Apple are its innovative products, such as the iPhone, iPod, and Mac computers, as well as its easy-to-use computer interface and innovative stores. These strong associations influence consumer buying behaviour.

Some common associations that retailers develop with their brand name are as follows:

The most common association is to link the retailer to a category of merchandise. For example, Office Depot would like to have consumers associate its name with office supplies.

Some retailers, such as IKEA, Home Centre want to be associated with offering unique, high-fashion merchandise. Other retailers, such as Walmart, want associations with low prices and good value.

A retailer can link its stores to attributes, such as 7-Eleven's association with providing convenience.

Some retailers associate their name with a specific lifestyle or activity.

4.4 Retail Marketing Mix

A. Pricing in Retailing

Price is the amount of money charged for a product or source, or sum of values that consumers exchange for benefit of having or using the product or services.

Role of Pricing

Purpose of pricing is to maximize profits & therefore pricing of products would have to be done carefully to ensure that same can be achieved. Prices could be set at a level that reflects average industry price with small adjustments made for unique features of company`s specific products.

Factors that need to be considered before setting the price –

- Demand for the product & target market
- Store policies & image to be created
- Competition & competitors price
- Economic conditions prevailing at that time.

Significance of Pricing Decision

- Customers evaluated between two substitute products on basis of prices offered by companies
- Affects the brand image
- Direct relations with demand of customers

Importance of Retail Pricing

- Achieving profit targets
- Impact on decision about retail format
- Competitive positioning

- Perceived value of products

Determinants of Retail Price Setting

- **Cost -** It includes cost of buying merchandise, cost of running business, promotional cost & cost of investment. Higher the level of these costs, higher will be the price of product.
- **Desired level of Profit Margin -** Two factors which has a direct influence on the pricing strategy & indirectly on profitability are profit on the offering that are sold & cost involved in setting the merchandise
- **Suppliers -** When suppliers are new or unknown or product are new retailer may seek price guarantees thus price of the product or service are set based on retailers own image, goals & objectives.
- **Competitors -** Competitor`s environment affects the freedom of retailers ot fix the prices to a great extent. Retailers often price similarly to each other & have less control over price because consumers can easily shop around.
- **Government -** Role of government in determining price for retailers is one of the key determinants. It can be viewed from two angles i.e. international & domestic. In domestic jurisdictions there are three levels of government control – federal, state & local. International jurisdictions are only ones into play for retailers operating outside their home country.
- **Customers -** Retailers need to understand their target audiences & price elasticity of demand because there is a relationships between price & consumer purchases & perceptions.

Objectives of Retail Pricing

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

- The retailer or marketers may also price his product with the, intention of increasing his market share, or stabilizing his market share. He can set the price of his product lower than that of his competitors.
- Obtain a target rate of return on investment
- Maintain proper image
- Clear out seasonal merchandise
- Match with competitors prices

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

- **Provide ample customer service**
- **Create & maintain customer interest & encourage repeat business.**

  Buyer-Oriented Objective - Another pricing objective adopted by retailer may be buyer-oriented. The aim of such pricing is to maintain socially acceptable prices and to be fair to customers. The prices of goods of super bazaars Margin free (Kerala) and Rythu (Andhra Pradesh) can be considered buyer-oriented as these retail chains practice the professed pricing objectives of bypassing intermediaries and sharing savings with the ultimate consumers. Most of the five star hotels stress on the kind of ambience and services extended by their hotel, as these are of prime concern to their customers. Tanishq, the jewellery retail chain, emphasises on the other elements of the marketing mix, such as heavier promotion and advertising, as well as highlighting the quality and the characteristics of their offerings primarily to justify the relatively higher prices charged by them.
- **Government-Oriented Objectives -** The pricing of some products may be constrained by existing laws or may be influenced by government action. The prices of petrol, grocery items, vegetables in India are, to a large extent, controlled and

influenced by government action. Consumer Protection Act 1986, Indirect Tax provisions and MRTP has a bearing on the pricing of the merchandise.

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

Pricing Strategies

- **High-Low Pricing -** Retailers offer pricing that are sometimes above their competitor EDLP, but they use advertisements to promote frequent sales.

Purpose –

- Goods have not managed to get sold is disposed-off
- Sale provides an opportunity for a different segment to visit the store.

Benefits of High-Low Pricing –

- **Same merchandise can be used to mark different set of customers –** Retailers use price skimming to target customers of various segments. When the merchandise is first put on display, it is sold at the maximum price. As sales in this segment are saturated, prices are lowered. More people enter the market who are slightly more price conscious. Finally, at the end of the season, extremely price conscious customers visit the store during deep discount sales. So, the store owner is able to use the same set of goods to target various segments of the market.
- **Passion is created among customers** – A sale draws people to the store. This crowd helps in creating an atmosphere of excitement. This segment of customers also helps in improving the visibility of the store.
- **Image of quality is created** – In an EDLP policy, the customer may assume the since prices are low through the year, the store must be compromising on quality or service somewhere. In high low pricing, even during a sale, the customer uses the original highest price as the reference. So, he or she tends ot think that the merchandise stored is of high quality.
- **Odd-Even Pricing -** It is setting prices at odd numbers to denote a lower price or a good deal or setting prices at eve numbers to imply higher quality. Since odd prices denote lower prices they are typically used by retailers who either sell at or below the market price. Retailers selling above the market price end ether prices in even

numbers denoting equality.

- **Every Day Low Pricing (EDLP) -** Strategy entails continuity of retail prices below MRP mentioned on goods. Here goods are either sold below their normal prices or some sales promotions schemes is available. EDLP has been popularised by large international retailers like Wal-Mart and Home Depot. This strategy demands stability of retail prices below MRP (maximum retail price)-mentioned on the goods i.e. at a level somewhere between the regular price at which the goods are sold and the deep discount price offered when a sale is held. In India, many co-operative stores have adopted this strategy. One store that uses EDLP is Big Bazaar. Here, goods are either sold below their normal prices, or some sales promotion scheme is available. Subhiksha also possesses the essentials of a discount store.

  Benefits of EDLP –

- **Frequent purchases –** EDLP provides the customers with the satisfaction that they are paying a fair price for the product, & they tend to buy more frequently instead of waiting for the most beneficial sale to take place.
- **Saves advertising expenditure –** Since prices are stable in EDLP, the retailer need not advertise frequently. In case of sale, which is help for a limited period, the retailer has to necessarily advertise so that more & more people visit the store to take advantage of the temporary low prices.
- **Improved customer service** – In EDLP, sales people are frequent hence retailers are able to attend to customer properly.
- **Better Inventory Management** – EDLP brings about continuous purchases by buyers. So retailers, can manage their inventory with more certainty.
- **Loss Leader Pricing -** Retailers price particular fast moving products at lower price to attract customers to store. Once customers are in store they can be persuaded to buy more profitable products.
- **Skimming Prices -** In tis retailers sets a relatively high price for a product services at first, then lowers the prices over time. It allows retailers to recover its sunk costs quickly before competition steps in & lowers market price. Price skimming is a pricing strategy in which a retailer sets a relatively high price for a product or service at first, and then lowers the price over time. It allows the firm to recover its sunk costs quickly before competition steps in and lowers the market price. However positive, there are some potential problems with this strategy such as: The inventory turn rate can be very low for skimmed products. Skimming encourages the entry of

competitors. When other retailers see the high margins available in the industry, they may decide to quickly enter. The retailer could gain negative publicity if he lowers the price too fast and without significant changes in product profile.

- **Penetrating Prices -** It is commonly associated with marketing objectives of increasing market share or market volume, rather than short term profit maximization. It is pricing technique of setting a relatively low initial entry price in-order to penetrate & increase the market share. Penetration pricing is the pricing technique of setting a relatively low initial entry price, a price that is often lower than the eventual market price. The expectation is that the initial low price will secure market acceptance by breaking down existing brand loyalties. Penetration pricing is most commonly associated with the marketing objective of increasing market share or sales volume, rather than short term profit maximization.
- **Reference Pricing -** It uses consumer`s frame of reference that is established through previous experience of purchasing product or high levels of information search.
- **Prestige Pricing -** Strategy where a retailer assumes consumer will not buy goods & services at a price deemed low. It is based on price quality association.
- **Discount Pricing -** The low prices are used as major tool for competitive advantage as it works best for value based customer`s. model works on high inventory turnover & lower operating costs. Here low prices are used as the major tool for competitive advantage wherein the store portrays a low status image while profit margins are kept low to target price-based customers. The model works on high inventory turnover and lower operating costs. This is arguably the most common model in India because of the low per capita income and price consciousness.
- **Vendor Pricing -** Manufacturer Suggested Retail Price (MSRP) is a common strategy used by smaller retail shops to avoid price wars & will maintain decent profits.
- **Competitive Pricing -** This strategy works well if retailers negotiates best prices, reduces cost & develops a marketing strategy to focus on price specials.
- **Psychological Pricing -** It is used when prices are set to certain level where customer perceives prices to be fair. Most common method is ―odd-even pricing‖. It is believed that customer tends to round down a price of Rs. 9.75 to Rs. 9 instead of Rs. 10.
- **Variable Pricing -** A policy pricing a goods or services at different levels for different customers or sales events at different times.

- **Vertical Price Fixing -** It involves agreements to fix prices between prices between parties at different levels of some marketing channel. Agreements are usually to set prices at MSRP. Retailers are allowed to sell below MRP.
- **Horizontal Price Fixing -** It involves agreements between retailers that are in direct comparison with one another to have some prices. It is always illegal since it suppress competition & often raises cost to customers.
- **Predatory Pricing -** This means establishing prices to drive competition away from market place.
- **Mark-up Pricing -** It refers to pricing practice in which some measure of cost-unit-direct cost or wholesale cost if multiplied by some pre-determined constant in order to set a price.

  It is a difference between cost of products & selling price

  SP = Cost + Markup

  Mark-up (%) (at retail) = (Retail SP – Merchandise Cost) / Retail SP * 100

  Mark-up (%) (at cost) = (Retail SP – Merchandise Cost) / Merchandise Cost * 100

Price Discrimination

Price discrimination is one of the most prevalent forms of marketing practices. the conventional definition is that price discrimination is present when the same commodity is sold at different prices to different consumers.

Degree of Price Discrimination

- **First-degree price discrimination / Individualized Variable Pricing –** It involves the seller charging a different price for each unit of the goods in such a way that the price charged for each unit is equal to the maximum willingness to pay for that unit.
- **Second-degree price discrimination / Self-selected Variable Pricing –** It occurs when prices differ depending on the number of units of the goods bought but not across consumers. It includes the following –
- **Coupons**

  They are digital or printed documents distributed by manufacturers or retailers. They usually offer discounts on form of percentage or amount off on certain items.

  Key objective is to maximize redemption rate – that is proposition of customers actually using coupons. One problem is that they may simply encourage customers to buy what they would have bought anyways & also attimes retailers may not hold sufficient stocks of promoted product – causing customer disappointment.

- **Rebates**

  It is refund of part of items purchase price. It is an offer in which purchase of product entitles buyer to mail in coupon or receipt & receives a cheque for particular amount depending on particular product, time & place of purchase.

- **Bundled Pricing**

  It is a practice of offering two or more different products or services at one price. Price bundling is used to increase both unit & rupee sales by bringing traffic into the store. It is the practice of offering two or more different products or services at one price. Price bundling is used to increase both unit and rupee sales by bringing traffic into the store. It can also be used to sell less desirable-merchandise by including it in a package with a product of great demand. Like a hotel can offer a 2 days stay for Rs.5000/- inclusive of lunch, even though separately these two items (stay and lunch) would cost more than Rs.5000/-. In many cases a retailer may bundle a set of extra-large T-shirts with large - size T-shirts to promote the sale of the slow moving item. Same strategy is some times used for low selling shoe sizes.

- **Markdowns**

  It is referred to as reduction from original retail price of an offering to meet the lower price of another retailers, tackle inventory over stocking, dear out old stocks of merchandise from shop floor & increase customer traffic.

- **Multiple Unit Pricing**

  Retailers use multiple unit pricing to encourage additional sales & to increase profits. It is designed to convince consumer`s they will gain on economic benefits by purchasing more than one unit of product.

- **Third-degree price discrimination / Variable Pricing by Market Segment –** It means that different purchasers are charged different prices but each purchaser pays a constant amount for each unit of the goods bought.

Price Adjustment Strategies / Pricing Approach & Its Strategies

- **Discount / Allowance Strategy -** In this retailer believes in giving discounts / allowances either of them to retain it customer & to push up its sales. Types –
- Discounts – cash discount, quantity discount, trade discount, seasonal discount
- Allowances – trade-in allowance, promotional allowances.
- **Segmented Strategy -** It is a strategy wherein price of product is decided as per different types of segments in market – Customer segment, product form pricing, location pricing, time pricing etc.

- **Psychological Strategy -** This strategy uses psychology of price & product positioning in market. Numeric digits may have symbolic & visual qualities that psychologically influence the buyer. Its an effective strategy because buyers use price as measurement of quality to buyers, high price equals high quality or high value & low price equals low vale.
- **Promotional Strategy -** A successful product or service means nothing unless the benefit of such a service can be communicated clearly to the target market. It consists of – advertising, public relations, sales promotions, personal selling, direct mail.
- **Geographical Strategy -** It is a practice of modifying basic list price based in geographical location by buyer. It is intended to reflect cost of shipping to different locations – FOB origin, uniform delivery pricing, zone pricing, basic point pricing, freight absorption pricing.
- **International Strategy -** Factors that need to be taken in to consideration are – Economic conditions, competitive situations, laws & regulations, distribution system, consumer perception, cost consideration.

B. Elements of The Retail Promotional Mix

The effective communications program helps the retailer to deliver the right message to the right audience through the right media, with the ultimate goal of profiting from long-term customer relationships and short-term transactions. As the media environment grows more complicated, reaching the right audience is becoming more difficult. No single type of media is necessarily better than another. The advances in technology have led to a variety of new media options such as direct marketing, Internet sites and social media along with the traditional media such as advertising, public relations, personal selling, and sales promotion.

Advertising

Is paid, non-personal communication transmitted through out-of-store mass media by an identified sponsor? This includes mass media such as newspapers, radio, TV, the Web, and other mass channels, rather than personal contacts. Traditionally, advertising has been passive and offline. However, recently there has been a growth in online advertising. Advertising entails the placement of announcements and persuasive messages by retailers that seek to inform and/or persuade target audience about their products, services, organizations, or ideas. For example, Amazon relies on targeted online advertising, television advertising, public relations, its Associates program, cooperative advertising with vendors, and price promotions. However, retailers other than national chains and online firms usually have more geographically concentrated target markets and therefore cannot utilize national media as readily as manufacturers. Only the large retail chains and franchises can advertise on national TV programs. Sometimes the costs of retail advertising are sometimes shared by manufacturers or wholesalers and their retailers. Also, two or more retailers may share costs. Both of these approaches are called **cooperative advertising**.

The major advantages of advertising are:

- A large audience is attracted.
- The costs per viewer, reader, or listener are low.
- A number of alternative media are available
- The retailer has control over message content, graphics, timing, and size, so a standardized message in a chosen format can be delivered to the audience.
- In print media, a message can be studied and restudied by the target market.

The major disadvantages of advertising are:

- Standardized messages lack flexibility
- Do not focus on the needs of individual customers.
- Some media require large investments.
- Media may reach large geographic areas, and for retailers, this may be wasteful. A small
- Some media require a long lead time for placing ads.
- Some media have a high throwaway rate. Circulars may be discarded without being read.
- A 30-second TV commercial or small newspaper ad does not have many details.

MEDIA

Retailers can choose from the media described below.

- **Newspapers** represent the preferred medium for many retailers, having the advantages of proper market coverage, short lead time, reasonable costs, flexibility, longevity, graphics, and editorial association. Because newspapers are distributed in well-defined local market areas, they‘re effective at targeting specific retail markets. Newspapers also offer a quick response. There‘s only a short time between the deadline for receiving the advertisement and the time advertisement will appear. Thus, newspapers are useful for delivering messages on short notice. Newspapers effectively convey a lot of detailed information. But newspaper ads aren‘t effective because of the poor reproduction quality. Also, the life of a newspaper advertisement is short. Finally, the cost of developing newspaper ads is relatively low.

- **Magazines.** With the growth of local magazines, regional editions of national magazines, and specialized magazines, local retailers can take advantage of this medium. Retailers tend to use this medium for image advertising because the reproduction quality is high. Due to the longer lead time, a major disadvantage of magazine advertising is that the timing is difficult to coordinate with special events and sales.
- **Television** commercials can be placed on a national network or local station. Retailers typically use TV for image advertising, to take advantage of the high production quality and the opportunity to communicate through both visual images and sound. Television ads can also demonstrate product usage. Disadvantages include high minimum costs, audience waste, a need for brevity and repetition, and limited availability of popular times for non-sponsors.
- **Radio**. Many retailers use radio advertising because messages can be targeted to a specific segment of the market. Advantages are the relatively low costs, its value as a medium for car drivers and passengers, its ability to use segmentation, its rather short lead time, and its wide reach. Disadvantages include no visual impact, the need for repetition, the need for brevity, and waste. The use of radio by retailers has increased in recent years.
- **Web.** Online retailers use Web ads to stimulate awareness and E-commerce. For store retailers, the Web provides information to customers about locations; describes products carried; allows people order catalogues, and so forth. Retailers have two opportunities to reach customers: advertising on search engines and third party Web sites; and communicating with customers at their own sites. Web-based advertising has been growing at a faster pace.
- **Transit advertising** is used in areas with mass transit systems. Ads are displayed on buses and in trains and taxis. Advantages are the captive audience, mass market, high level of repetitiveness, and geographically defined market. Disadvantages are the ad clutter, distracted audience, lack of availability in small areas. Many retailers also advertise on their delivery vehicles.
- **Outdoor (billboard)** advertising is sometimes used by retailers. Posters and signs may be displayed in public places, on buildings, and alongside highways. Advantages are the large size of the ads, the frequency of exposure, and the relatively low costs. Disadvantages include the clutter of ads, a distracted audience, and the limited information.
- **Social media** have become the digital hub for many retailers. Furthermore, social media may provide the sole digital presence for many small retailers who do not have a Web

site. Advantages include developing interactive ads; creating excitement and suggestion selling through sharing of images, videos, and information and promotions; and providing customer service, identifying new customers based on their social media profiles. Disadvantages include the intense competition, the possibility of negative comments, and the lack of methods to measure the impact on sales.

- **Mobile apps** are now being developed by retailers or third-party retail intermediaries and then downloaded by customers. Advantages include the ability to drive traffic to stores; to provide personalized, geo-targeted information and time-sensitive promotions; to enhance in-store experiences; to provide out-of-store product interaction opportunities; and to complete ordering, payments, and purchases through a smartphone without the need for retail salesperson interaction. Disadvantages include technological limitations and privacy implications.

Public Relations

Public relations entail any communication that fosters a favorable image for the retailer among its publics (consumers, investors, government, channel members, employees, and the general public). It may be non-personal or personal, paid or nonpaid, and sponsor controlled or not controlled. Public relations can benefit both large and small retailers to achieve various objectives, such as building and maintaining a positive image, handling unfavorable stories or events, and maintaining positive relationships.

Publicity is any non personal form of public relations whereby messages are transmitted through mass media, the time or space provided by the media is not paid for, and there is no identified commercial sponsor**.** In many cases, it supports other promotional efforts by generating free media attention and general goodwill. The basic distinction between advertising and publicity is that publicity is nonpaid. Thus, it is not as readily controllable as advertising. A story on a store opening may not appear, appear after, or not appear in the form desired. However, publicity is often more credible and valuable. Advertising and publicity should complement one another.

Social media now have a huge impact on a retailer‗s public relations efforts and on the publicity it receives. Bloggers and You Tubers as influencers may represent real customers who reach a targeted audience and whose opinions are trusted by their followers. They may generate active engagement, influence purchase decisions, and help drive return on investment of the retailer. This is sometimes referred to as –influencer marketing.‖

Another popular PR tool is event sponsorship where corporations support various activities usually in the cultural or sports and entertainment sectors.

Personal Selling

Personal selling involves oral communication with one or more prospective customers for the purpose of making a sale. Retail salespeople include anyone who interacts face-to- face with the shopper to exchange information. Retail salespeople may work in a store, visit consumer homes or office; engage in telemarketing; or engage in real-time online chat. The level of personal selling used by a retailer depends on the image it wants to convey, the products sold, the amount of self-service, and the interest in long-term customer relationships and customer expectations.

The cost of communicating directly with a potential customer is quite high compared with other forms of promotion, but it is simply the best and most efficient way to sell certain products and services. In many cases, sales representatives add significant value, which makes the added expense of employing them worthwhile. Personal selling can have huge impact on customer service; stimulate cross-selling; suggesting that customers to try different colors, styles, or quality. And last, salespeople can help foster customer loyalty.

Sales Promotion

Sales promotions are special incentives or excitement-building programs that encourage consumers to purchase a particular product or service. These are typically used in conjunction with other advertising or personal selling programs. Many sales promotions, like free samples or point-of-purchase (POP) displays, attempt to build short-term sales, whereas others, like loyalty programs, contests, and sweepstakes, have become integral components of retailer‘s long-term customer relationship management. The main priority of a sales promotional strategy should be to maximize profit by selling as many units as possible. The various tools used in sales promotions are presented below.

Type	**Description**
Point-of-purchase displays (POP)	Window, floor, and counter displays that allow a retailer to remind customers and stimulate impulse purchases.
Contests	Customers compete for prizes by completing a contest or game, such as a crossword puzzle, a slogan, or a football lottery.
Coupons	Retailers advertise special discounts for customers who redeem advertised coupons, clipped from print media or POP displays, or online code.
Sweepstakes	Similar to a contest, except that participants merely fill

	out application forms and the winner is picked at random.
Frequent shopper programs	Customers are given points or discounts based on the value of their purchases. The points are accumulated to acquire goods or services
Prizes	Similar to frequent shopper programs, retailer gives free gifts immediately, such as glasses, silverware, and others.
Demonstrations	Products are shown cleaning up floors, mixing foods, and so on. Services are also demonstrated.
Samples	Free tastes or smells of items are given to customers.
Matchbooks, pens, calendars, shopping bags, etc.	Items that contain the retailer‘s name are given to customers
Referral gifts	Presents or gifts are given to current customers when they bring in new customers.
Special events	Include fashion shows, autograph sessions with book authors, art exhibits, and holiday activities.

Direct Marketing

Direct marketing is marketing that communicates directly with target customers to generate a response or transaction. Direct marketing contains a variety of traditional and new forms of marketing communication initiatives. Traditional direct marketing includes mail and catalogues sent through the mail and today it also includes Internet-enabled methods such as e-mail and mobile marketing. Retailers have been able to build databases, thanks to increased use of credit and debit cards, store-specific credit and loyalty cards, and online shopping, all of which require the buyers to give personal information. Such information enables retailers to focus their direct marketing efforts appropriately.

Direct marketing retailers try to carefully target their customers so that they will be more receptive to their messages. There are different forms of direct marketing which use both online/offline communication methods.

- **Direct Mail:** Direct mail includes any brochure, catalogue, advertisement, or other printed marketing material delivered directly to the consumer through the mail or a courier company. The direct mail piece can go to all customers or even on a personalized basis to individual customers. Although relatively expensive on a per-customer basis, direct mail is still extensively used by many retailers because people respond favourably to personal messages.

- **E-mail:** E-mail is a direct marketing communication vehicle that involves sending messages over the Internet. E-mail can be personalized to the specific consumer. Retailers use e-mail to inform customers of new merchandise and special promotions, confirm the receipt of an order, and indicate when an order has been shipped.
- **Mobile Marketing:** Mobile marketing is marketing through wireless handheld devices, such as cellular telephones, and m-commerce or mobile commerce involves completing a transaction via the cell phone. Smartphones offer a kind of mobile computer with the ability to obtain sports scores, weather, music, videos, and text messages, as well as to purchase merchandise. Retailers are steadily improving customer experience with their mobile interfaces by creating applications.

Online Marketing

There are several online media vehicles with which customers can interact such as Web sites, blogs, and social media.

- **Web Sites -** Retailers use their Web sites to build their brand images; inform customers of store locations, special events, and the availability of merchandise; and sell merchandise and services. In addition, some retailers provide services that help garner customer loyalty and indirectly increase sales. Some retailers use their Web sites to community building and also encourage customers to post reviews of products they have bought or rate the quality. Research has shown that these online product reviews increase customer loyalty and provide a competitive advantage for sites that offer them.
- **Blogs** - A well-received blog can communicate trends, announce special events, and create word-of-mouth communication. Blogs connect customers by forming a community, allow the company to respond directly to customer comments, and facilitate long-term relationships. Many retailers utilize blogs as part of the communication strategy.
- **Social Media -** Social media includes content distributed through social interactions on YouTube, Facebook, and Twitter, so on. This is another online vehicle for word-of-mouth communications, consumer reviews, and aggregate information about products, prices, and promotions. This type of social media also allows users to interact among themselves. By proactively engaging with its customers, a retailer can build stronger relationships.

4.5 Retail Communication Mix

Merchandising is buying, presenting & selling of merchandise. This includes all related activities such as advertising, display & promotion of merchandise involving retail customers.

Merchandising challenge of consistently having right product in right quantity available at the right place, at the right time & at right price becomes increasingly more difficult as more selling & fulfilling locations are added to distributed retail model.

Importance of Merchandising

- **Nucleus of Retail -** Merchandising gives retailers more variety & assorted products keeping SKU`s full & also fulfilling customer needs. It also helps in deciding pricing of products & increase profitability of outlet.
- **Differentiation -** While every retailer trying to get large share of customers, merchandising creates differentiating factors from retailers. Assortments of products will decide retailer`s success.
- **Cutting-edge Competition -** Due to increasing competition, merchandisers have introduced private labels & priced them below national brands in order to earn higher profits.
- **Better Merchandise means Better Profits -** Better merchandise in the store higher is number of customers that will walk into the store leading to better profits.
- **Efficient merchandise management practices -** Efficient merchandising practices involves effective use of technology, resulting in building bonds & fostering relationships with vendors.

Merchandise Planning

It is a systematic approach aimed at maximizing return on investment, through planning sales & inventory in order to increase profitability. It does this by maximizing sales potential & minimizing losses from mark down & stock out.

Objective –

- Profit improvement
- To maintain inventory at such a level to meet anticipated customer demand
- Help in timing delivery of purchase so that merchandising is available for sale for customer demand.
- Helps in keeping purchases in line with stores ability to pay for them.
- Aims at having funds available for purchase of new goods when needed.

Principles of Merchandise –

- Make it easier for the customer to locate the decision category & merchandise.

- Make it easier for the customer to self-select.
- Make it possible for the shopper to co-ordinate & accessories.
- Recommend, highlight & demonstrate particular products at strategic locations
- Educate the customer about the product in an efficient & creative way
- Make proper arrangements in such a way to increase the sale of unsought goods.

Considerations for Merchandise Plans

Marketing Considerations	Store image, trading format, environment, retail proposition, trends in fashion, potentials buyer`s base.
Merchandise Strategy Options	Availability of stock based on assortment profit, quality, specific choice, seasonal requirements, estimated cost, promotional agreement.
Type of Customer Base	Items, range of purchase, time period, average transaction, value for various products, frequency of visits & purchases.
Financial Plans	Projections of profitability & sales, stock trading, terms of contract & payment, corporate objectives & pricing strategies.
Merchandise Assortment Search	Merchandise must meet following desire – desired range, cost price, offer, brand policy, availability, delivery & financial returns.

Process of Merchandise Planning

- **Developing Sales Forecasting -** Sales forecast is a prediction based on past sales performance & an analysis of exported market conditions. Conducting sales forecast will provide a business with an evaluation of past & current sales levels & annual growth & allow comparing company to industry norms. It will also help in establishing policies so that one can easily monitor prices & operating costs to guarantee profits & get aware of minor problems. Accurate sales forecasting processes may result in –
- Increased revenue
- Increased customer retention

- Decreased costs
- Increased efficiency

  Steps in sales forecasting are –
- Reviewing past sales
- Analyze changes in economic conditions
- Analyze changes in sales potential
- Analyze changes in market strategies
- Creating sales forecast.
- **Determining Merchandise Requirement** - Planning in merchandising is at two levels –
  - Creation of Merchandise Budget
  - Assortment Plan

  Two methods of developing merchandise plans –
- Top down planning – top management works on sales plan & passes it down to the merchandising team.
- Bottom up planning – individual department manager`s work on estimated sales projections & them these are added op to arrive at total sales figures.
- **Merchandise Control – The Open to Buy**
- Retailer can be sure of the stocks the right amount of right time by using the Open to Buy (OTB) Plan.
- It is calculated in units or dollars. OTB is difference between how much inventory is needed & how much is actually available. This includes inventory on hand, in transit & any outstanding orders.
- OTB = Planned sales + Planned Markdowns + Planned End of Month Inventory – Planned Beginning of Month Inventory

Assortment Planning

It determines quantity of each product that needs to be purchased to fit overall merchandise plan. Details need to be specified. Amin purpose of creating assortment plan is to create balanced assortment of merchandise for customers. Assortment planning answers questions like – ―which product‖, ―how much of it‖, ―what color & size‖, ―where to place it‖ etc.

Steps in Assortment Planning Process –

- Annual / Seasonal Strategy Development
  - Decide & communicate merchandising vision
  - Review the business unit emphasis & develop conceptual plans for a year

- Pre-Market Analysis & Preparation
- Develop financial targets & perform forecasts to determine store needs.
- Market Evaluation / Product Selection
- Select merchandise for stores based on conceptual plans
- Ensure plans balances seasonal financial & product goals
- In-season Analysis & Tactical Adjustments (on-going)
  - Collect store performance information
  - Monitor current sales data & determine buying patterns & any potential shifts in strategies
- Post Season Performance Review
- Conduct assortment breadth analysis at chain & / or store level to provide feedback for next seasons assortments decisions
  - SKU productivity, contribution & rationalization
  - Colour productivity

- **The Range Plan -** It 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 merchandise plan fall into specific lines & many a times the SKU`s.
- **The Model Stock Plan -** After determining the money available for buying, a decision needs to be taken on what to buy & in what quantity. This results in the creation in Model Stock Plan. The model stock plan gives the precise items & quantities that need to be purchased for each merchandise line. To arrive at the model stock plan, the buyer need to identify the attributes that the customer would consider in buying the products then decide on the levels under each attribute & finally, allocate the total money available or the units to the respective item categories.

Stages of Merchandise Planning

- Merchandise Budget - It is a financial plan, which gives an indication how much to invest in product inventories, stated in monetary terms. It comprises of 5 parts –
- Sales plan i.e. how much of each product needs to be sold.
- Stock support plan which tells us how much inventory is need to achieve those sales
- Planned reduction which may need to be made in case product does not sell
- Planned purchase level i.e. quantity of each product that needs to be procured from the market
- Gross margin i.e. difference between sales to overall profitability of the company.

- Assortment Plan - Detail merchandise that will be sold in cash product category followed by money availability for the inventory.

Category Management

Category management is a retailing and purchasing concept in which the range of products purchased by a business organization or sold by a retailer is broken down into discrete groups of similar or related products; these groups are known as product categories (examples of grocery categories might be: tinned fish, washing detergent, toothpastes). It is a systematic, disciplined approach to managing a product category as a strategic business unit.

Category management lacks a single definition thus leading to some ambiguity even among industry professionals as to its exact function. Three comparative mainstream definitions are as follows - Category management is a process that involves managing product categories as business units and customizing them [on a store by store basis] to satisfy customer needs. (Nielsen)

The strategic management of product groups through trade partnerships which aims to maximize sales and profit by satisfying consumer and shopper needs.

Importance –

- **Productivity –** Establishing category management with the optimal goals processes & information systems will help assemble category plans in a much shorter time frame.
- **Resiliency –** Category managers possess the tools, processes & information to accurately develop & manage categories as well as model changes for ongoing improvements.
- **Precisions –** Data interpretation, collection & warehousing techniques are established to provide reliable, precise, real-time data to category managers, who can then model real situations with real data.
- **Responsibility –** Automating the scorecard with application tools & data integration with ERP, store & manufacturing systems supports the critical requirements of a scorecard. With a trusted scorecard, incentive programs are easy to monitor & are trusted at all levels.
- **Revenue & Performance –** Revenue & performance are the critical benefits that senior management will measure & by which the category management process will be considered success or failure. This process focuses on:
- Cost reductions
- Increased sales
- Improved margins

- Improved profits
- Increased market shares
- Improved consumer satisfaction
- Improved in-stock conditions
- Improved return on assets

Process of Category Management

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

The definition of category varies from situation to situation and one store to another. In one circumstance, category may be narrowly defined or very broadly defined, depending upon several factors.

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

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

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

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

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

- **Set targets & objects for the strategy** – Goals & targets to be achieved are set in advance. Scorecard is made which gives summary to observations & analysis to help develop goals & targets for the category. Scorecard is the strategic allocation of work to be performed to reach the category goals & objectives. It includes an assessment of consumer buying habits.
- **Category Strategy:** Under this stage of category management business process, retailers develop marketing and product supply strategies that determine the category role and performance objectives. The basic purpose behind developing strategies is the retailer‘s intention to capitalize on category opportunities through creative and optimum utilization of available resources assigned to a category.
- **Category Tactics:** Categories tactics are used to determine the optimal category assortment, pricing promotions, and shelf penetration, essential to ensure that strategies put are on right track. Category tactics determine and authenticate the specific actions that are required to implement the category strategies developed earlier.
- The areas covered under category tactics vary from retailer to retailer and place to place. But pricing, promotions, assortments and the store‘s overall presentation are few commonly used areas where tactics are developed.
- **Category Implementation:** This step is used to implement the category business plan through a systematic schedule and list of responsibilities. Implementing category plan as per the objectives laid down, is the path to the success of category management.
- **Category Revision:** This is the final step in a typical category management business plan. Category review enables a retailer and concerned supplier to gauge the performance of a category and identify key areas of opportunity and threats to overcome by adopting alternate plans.

Private Labeling

Store brands also called private labels, are the products developed by the retailers & are available only through retailer`s store. They usually carry the name of the retailer or the name of the party with whose collaboration the private label has been launched.

Features of private labels –

- Helps in benchmarking vis-a-vis the brand leader

- Give a look-a-like effect of some established brand
- Gets priority in space allocation in the store
- Assists in the listing of the SKY`s

Private labels tends to fill the gap between local brands & national brands, offering features of national brands, but at lower prices.

Benefits to the Retailer –

- **Increase Customer Loyalty**

Customer are given better value since store brand products are at low prices

- **Improves their Positioning & Image**

Many successful store brands can be launched at national level at a later stage. This assists retailers to achieve economies of scale.

- **Increase in Bargaining Power**

By introducing private label, store creates a situation of conflict with the national brand. This makes the store`s position better on the bargaining table. This may compel the national brand manufacturers to offer greater commission or discounts to promote their brand in the stores.

PRODUCT ASSORTMENT

An assortment is a retailer‘s selection of merchandise. It includes both the depth and breadth of product carried. Retailers have to select the combination of assortments from various categories. The assortments must include substitutable items of multiple brands. SKUs (Stock keeping Unit), and price points. The small retailers take assortment decision on the basis of his experience; on the other hand retailers from organized retailing depend on a detailed study of past trends and future projections.

Retailers need to consider certain factors while devising assortment plans for their store –

- Profitability associated with particular merchandise mix
- Store image
- Layout
- Level of compatibility between existing merchandise

While working out the variety, assortment and product availability, certain factors have to be considered.

Factors affecting variety and assortment -

- Work at profitable mix of product
- Corporate strategy towards assortment
- Physical characteristics and layout of the store
- Work out a balance between too much versus tool little assortment

- Assortment based on complementary merchandise.

Factors Affecting Variety & Assortment	**Factor Affecting Product Availability**
Work at profitable mix of products	Work out for a trade-off between inventory investment & product availability
Corporate strategy towards assortment	Plan sufficient back up of stock to meet each SKU`s stock demand. This will depend up:- ● Product availability the retailers wishes to provide ● Fluctuations in demand ● Lead time from the vendor ● Fluctuations in lead time ● Vendor`s product availability also affects the retailer`s back-up stock
Physical characteristics & layout of the store & internet site	
Workout a balance between too much versus too little assortment	
Assortment based in complementary merchandise	

Integrated Marketing Communication Program

Retailers communicate with customers using a mix of methods, such as advertising, sales promotion, publicity, e-mail, blogs, and social media like Twitter, Facebook, and YouTube. They also communicate implicitly through their store layouts, design, and visual merchandising. Retailers need to develop an integrated marketing communication program that integrates all these communication elements to deliver a comprehensive, consistent message to all customers over time, across all elements of their retail mix, and across all delivery channels. Without this coordination, the communication methods might work at cross-purposes. For example, the retailer‘s televised advertising campaign might attempt to build an image of exceptional customer service, but the firm‘s sales promotions might all emphasize low prices. If communication methods are not consistent, customers may become confused about the retailer‘s image and therefore not patronize the store.

Objectives Communication Program: **A retailer would select one or more of these** goals to base Communication efforts on:

- To grow sales across categories of products in the retail store.
- To stimulate impulse buying of products through attractive POP displays and posters.
- To increase customer traffic at retail stores and on websites.
- To generate leads for sales personnel by creating interest in the mind of potential customers who can be easily converted.
- To build and reinforce the retailer image in general.
- To inform customers about new goods and services whenever there are new launches.
- To popularize new stores and Web sites and Mobile Apps.
- To gain positive word of mouth (WOM) from existing users and thereby create buzz in the market.
- To stimulate demand for private brands which are owned and sold by retailers?
- To enhance customer experience by providing all necessary information.
- To improve customer support by assurance of customer satisfaction.
- To maintain brand consistency across all platforms and devices so as to provide unified image and experience to the customer.
- To provide real-time tracking of goods purchased by customers.

Planning The Retail Communication Program

There are four steps involved in developing and implementing a retail communication program: Establish objectives, determine a budget, allocate the budget, and implement and evaluate the program.

1. Establish Objectives

Communication programs can have a long-term objective, such as creating or altering a retailer‘s brand image or short-term objectives such as increasing store traffic on a weekend. Communication objectives are specific goals related to the retail communication mix‘s effect on the customer‘s decision-making process. Some of them are:

- Increase sales
- Stimulate impulse buying.
- Increase customer traffic.
- Generate leads for sales personnel.
- Build and reinforce the retailer image.
- Inform customers about new goods and services.
- Popularize new stores and Web sites/Mobile Apps.

- Gain positive word of mouth (WOM)

2. Determine the Communication Budget

The second step in developing a retail communication program is to determine a budget. There are five main procedures for setting the size of a retail promotional budget. Retailers should weigh the strengths and weaknesses of each technique in relation to their own requirements and constraints.

- **Affordable method (All-you-can-afford)** where a retailer first allots funds for each element of the retail strategy mix and the remaining funds go to promotion. This is the weakest technique. Its shortcomings are that little emphasis is placed on promotion as a strategic variable; expenditures are not linked to goals; and if little or no funds are left over, the promotion budget is too small or non-existent. This method is used predominantly by small, conservative retailers.
- **The incremental method** relies on prior promotion budgets to allocate funds. A percentage is either added to or subtracted from previous year‘s budget to determine the budget. This technique is useful for a small retailer which provides a reference point and budget is adjusted based on the past success or failure. It is easy to apply but the budget is rarely linked to specific goals.
- **Competitive parity method**, where a retailer‘s promotion budget is raised or lowered based on the leading competitor‘s actions.

  This method is often employed by both small and large firms, and is market-oriented. However, it is tough to get competitive data and competitor‘s objectives may be quite different.
- **The percentage-of-sales method**, when a retailer ties its promotion budget to revenue. Promotion budget is developed as a percentage of sales. This process uses sales as a base, is adaptable, and correlates promotion and sales. Nonetheless, there is no relation to goals and promotion may drop during poor periods. This technique provides excess financing in times of high sales and too few funds in periods of low sales.
- **The objective-and-task method**, a retailer clearly defines its promotion goals and prepares a budget to satisfy them. A goal might be to increase retailer brand awareness to 70 percent from existing 50 percent. To do so, it would determine the tasks and costs required to achieve that goal. This method is the best budgeting technique as goals are clear, spending relates to goal-oriented tasks, and performance can be assessed. However, it is time consuming and complex, especially for small retailers.

3. Allocate the Promotional Budget

After determining the size of the communication budget, the third step is to allocate the budget to specific communication elements, merchandise categories, geographic regions, or long- and short term objectives. The promotional mix is affected by the type of retailer involved. For example, supermarkets use sampling, frequent shopper promotions, theme sales, and bonus coupons mostly. Research indicates that allocation decisions are more important than the decision about the budget itself. In other words, retailers can realize the same objectives by reducing the communication budget but allocating it more effectively. A firm with a limited budget may rely on store displays, Web site traffic, flyers, targeted direct mail, and publicity to generate customer traffic. One with a large budget may rely more on newspaper and TV ads. The retailer should allocate the budget to areas that will yield the greatest return.

4. Implementing and Evaluate Communication Programs

The implementation of a promotional mix involves choosing which specific media to use, timing, content, and nature of sales force, specific sales promotion tools, and the responsibility for coordination.

- **Media Decisions** - The choice of specific media is based on their overall costs, efficiency, lead time, and editorial content. The retailer‘s promotion budget is important since heavy use of one expensive medium may distort a balanced promotional mix, and a firm may not be able to repeat a message in a costly medium. Further, different media offers different reach and frequency. Reach refers to the number of target customers exposed to a retailer‘s promotion program in a specific period. Frequency is the average number of times each customer reached is exposed to the message in a specific period. Also media vary with required lead times. A newspaper ad can be placed with a short notice; an online ad can go ‗live‘ almost immediately, whereas a print magazine ad must be placed months in advance.
- **Timing** - A massed promotion effort is used by retailers, such as toy retailers, that promote seasonally. A distributed promotion effort is used by retailers, such as fast-food restaurants, that promote throughout the year. Massed advertising is practiced by supermarkets where many use Wednesday or Thursday for weekly newspaper ads. This takes advantage of the fact that a high proportion of consumers make their shopping trip on Friday, Saturday, or Sunday. Sales force size can vary by time (morning versus evening), day (weekdays versus weekends), and month (December versus January). Sales promotions also vary in their timing. Store openings and holidays are especially good

times for sales promotions (and public relations). Repetition is important, particularly for a retailer seeking to develop an image or sell new goods or services.

- **Content of Message -** Whether written or spoken, personally or impersonally delivered, message content is important. Advertising themes, wording, headlines, use of color, size, layout, and placement must be selected. Press releases must be written. In personal selling, the greeting, sales presentation, demonstration, and closing need to be applied. With sales promotion, the firm‘s message must be composed and placed on the promotional device. To a large extent, the characteristics of the promotional form influence the message. A shopping bag often contains no more than a retailer‘s name, and a billboard is good for visual effect but can hold only limited words.
- **Evaluation -** Although it is tough to assess promotion efforts, it is crucial for retailers to systematically measure performance and adapt their promotional mixes if required. An analysis of the success of a promotional plan depends on its objectives. Revisions should be made if pre-set goals are not achieved. For example, Wal-Mart provides suppliers with store-by-store data and sets upfront goals for cooperative promotion programs. Actual sales are then compared against the goals.

4.6 POP DISPLAYS

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

Benefits –

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

Merchandise Presentation Techniques

A. Display

Display consistent with the store image. It evokes a more fashion-forward image & is more aesthetically pleasing but it forces customers to search in each stack for his size.

Methods of Display –

- **Open Display** – With an open display, the customer is encouraged to feel, look at & tries on products.
- **Closed Display** – With a closed assortment, the customer is encouraged to look at merchandise but not touch it or try it on.
- **Theme-set Display** – A theme-setting display depicts a product offering in a thematic manner & sets a specific mood. Retailers often vary their displays to reflect seasons ot special events, some even have employees dress for the occasion.
- **Ensemble Display** – With an ensemble display, a complete product bindle is presented rater than showing merchandise in separate categories.
- **Rack Display** – A rack display has a primarily functional use to neatly hang or present products. It is often used by appeal retailers; house wares retailers & others this display must be carefully maintained because it may lead to product cutter & shoppers, returning items to the wrong place.
- **Case Display** – A case display exhibits heavier

Errors in Creating Display

You may say that there isn't very much time to cover much of these suggestions and information and this is the main reason for which articles like this one actually exist. We've gathered here the most frequent mistakes that people do when it comes to displaying merchandise and, of course, some advice to avoid or correct them:

- **Too much merchandise or too little?** The correct amount of merchandise that you want to display is connected with what you want to communicate. If you sell luxury items, bear in mind that the more expensive the item is, the fewer you should display. Crowded displays may suggest cheap merchandise or discounts. Too little merchandise may suggest that you're going out of business, or you're not very prosperous. Also, it can be seen as a sign of carelessness; sometimes you can see empty mannequins for days in window displays and people that don't even bother doing something about that. So be very careful, and don't exaggerate!
- Some stores have their displays **crammed with many similar items.** This situation might be perceived as aesthetically intriguing to the viewer. It is a violation of the principles of harmony and rhythm, and it's not advisable under any circumstances. The items that you display shouldn't render a boring aspect because it won't attract customers. You definitely don't want your store to resemble a factory where similar products are disposed in straight shelves.

- At the same time, you‘re not conveying any message if you **display too many different items** that tell their own story and should be emphasized on their own. You don‘t put into displays each and every type of items that are in the store. Displays are meant to show the best you have. If the best you have is quantity and you intent to show that to the customers, then you should probably make use of many dress forms and / or torsos in the display and apply the principles of harmony and rhythm. Use a creative and simple scheme that won‘t make the display look too crowded.
- Using too **many mini themes** in a display is also disorienting. Customers might find it hard to understand what products are actually highlighted, what is the specific of the store and of the merchandise.
- **Not paying attention to the small details.** You need to take a closer look each time you enter the store after e period of not being there. If you have any merchandise suspended from the walls or ceilings, you need to make sure that it‘s still there. Things may fall, and you don‘t want that to be seen by the customers or to decrease the effectiveness of the display. Errors are seen as a lack of implication and seriousness.
- **Lack of rhythm:** the principle of rhythm is frequently violated when many small items are displayed in a single area with no attempt to keep the eye following a planned pattern. Try to create a display in which all items are visually tied together and visible from different angles. Don‘t place important merchandise behind other items, even though the main reason is to create surprise or to attract. Surprises don‘t generally work in displays; make use of them inside the store by hinting this in the display or at the entrance through a signage.

Specific Presentation Techniques

- **Idea-oriented Presentation -** It is a method of presenting merchandise based on specific idea or image of store which encourages customers to make multiple complementary purchases
- **Style / Item Presentation -** Arranging items by size, colour, brand or type is most common method of organizing many types of merchandise
- **Colour Presentation -** It is a technique to let customers know that store is ―the place‖ to purchase clothing or item of that particular colour
- **Price Lining -** It is when retailers offer a limited number of pre-determined price points & / or price categories within another classification. This helps the customers to easily find merchandise at price they wish to pay.

- **Vertical Merchandising -** In this, merchandising is presented vertically using walls & high gondolas. Stores can effectively organize merchandise to follow eyes natural movement. Customers shop left to right, going down each column, top to bottom.
- **Tonnage Merchandising -** In this large quantity of merchandise are displayed together.
- **Frontal Presentation -** In this retailers expose as much as of the product as possible to catch customer`s eye.

4.7 Unit End Questions

A. Descriptive Question

Short Questions

1. Discuss the significance of internet and social media in retail communication.
2. What are the various tools available in sales promotion for a retailer?
3. What are the differences between advertising and publicity?
4. What are features of personal selling?
5. How direct mails are more useful?

Long Questions

1. Explain the role of an integrated marketing communication program in retailing?
2. How can retailers use communication programs to develop brand images and build customer loyalty?
3. What steps are involved in developing a communication program?
4. What are the positive and negative aspects of direct marketing from the customer‘s perspective?
5. What factors should be considered in developing the advertising budget? Which are the methods?

B. Multiple Choice Questions

1. Retail advertising incorporates:
   a. payment for media
   b. a personal presentation
   c. a format that can be adapted to individual consumers
   d. an unidentified sponsor
2. Which type of retailer has the highest advertising-to-sales ratio?
   a. convenience stores
   b. furniture stores
   c. grocery stores

d. jewellery stores

3. Advertising costs are shared between two or more retailers or a manufacturer, a wholesaler, and a retailer through:

a. promotional monies (PMs)
b. promotional allowances
c. cooperative advertising
d. slotting fees

4. Which method of establishing an overall promotional budget relies on previous budgets in the allocation of funds?

a. incremental
b. all-you-can-afford
c. competitive parity
d. percentage-of-sales

5. The face-to-face interaction with prospective buyers for the objective of answering questions, procuring orders and making presentations is

a. Personal selling
b. Interactive marketing
c. Personal selling
d. Word-of-mouth marketing

Answers

1-a, 2-b, 3-c, 4-a, 5-a

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UNIT- 5 CUSTOMER RELATIONSHIP

STRUCTURE

5.0 Objectives

After completing this Students will be able to

- Define the concept of CRM
- Understand the various forms of relationship marketing strategies

5.1 Introduction

Customer relationship refers to the interactions and connections that a business or organization has with its customers. It encompasses all aspects of the customer's experience, including their interactions with the company's products, services, employees, and brand. Building and maintaining positive customer relationships is crucial for businesses as it fosters customer loyalty, repeat business, and positive word-of-mouth marketing.

Effective customer relationship management (CRM) involves various strategies and practices aimed at understanding and meeting customer needs, expectations, and preferences. It involves building trust, providing excellent customer service, and maintaining open lines of communication with customers. Some key elements of customer relationship management include:

- **Customer Communication**: Maintaining regular and open communication channels with customers through various means such as phone, email, chat, social media, and in-person interactions. Promptly responding to customer inquiries, addressing their concerns, and keeping them informed about relevant updates and promotions.
- **Personalization:** Treating customers as individuals and tailoring interactions and offers based on their preferences, purchase history, and other relevant data. Using customer data to provide personalized experiences and offers that demonstrate understanding of their needs and preferences.

- **Customer Service**: Providing high-quality customer service by promptly resolving issues, providing helpful information, and going above and beyond to meet customer needs. Ensuring that customer service is accessible, friendly, and efficient across all touchpoints.
- **Feedback and Listening:** Actively seeking and listening to customer feedback, whether it's through surveys, reviews, or direct communication. Using feedback to continuously improve products, services, and processes, and showing customers that their opinions are valued.
- **Relationship Building:** Building long-term relationships with customers by nurturing loyalty, trust, and satisfaction. Providing incentives for repeat business, acknowledging and rewarding loyal customers, and creating a positive emotional connection with the brand.
- **CRM Technology**: Utilizing CRM software and tools to effectively manage customer data, track interactions, and streamline customer relationship management processes. Using data-driven insights to make informed decisions and optimize customer interactions.

Strong customer relationships are essential for businesses to thrive in today's competitive market. By prioritizing customer relationship management, businesses can build a loyal customer base, drive customer retention, and ultimately boost their bottom line.

5.2 Relationship In Marketing Strategies

There are many factors for retailers to consider while developing and implementing their marketing plans. Among the major retailing decisions are these related to -

- **Target Markets -**Although retailers normally aim at the mass market, a growing number are engaging in marketing research and market segmentation, because they are finding it increasingly difficult to satisfy everyone. Through a careful definition of target markets, retailers can use their resources and capabilities to position themselves more effectively and achieve differential advantage. The tremendous growth in number of speciality stores in recent years is largely due to their ability to define precisely the type of customers, they want to serve.
- **Merchandise Management -**The objective here is to identify the merchandise that customers want, and make it available at the right price, in the right place at the right time. Merchandise Management includes (i) merchandise planning (ii) merchandise purchase, and (iii) merchandise control. Merchandise planning deals with decisions relating to the breadth and depth of the mix, needed to satisfy target customers to achieve the retailers return on investment. This involves sales forecasting, inventory requirements, decisions regarding gross margins and mark ups etc. Merchandise buying involves decisions relating to centralized or decentralized buying, merchandise resources and negotiation with suppliers. Merchandise Control: deals with maintaining the proper level of

inventory and protecting it against shrinkage (theft, pilferage etc.).

- **Store Location -** Location is critical to the success of a retail store. A store's trading-area is the area surrounding the store from which the outlet draws a majority of its customers. The extent of this area depends upon the merchandise sold. For example, some people might be willing to travel a longer distance to shop at a speciality store because of the unique and prestigious merchandise offered. Having decided on the trading area a specific site must then be selected. Factors affecting the site include, traffic patterns, accessibility, competitors' location, availability and cost and population shifts within the area.
- **Store Image** - A store image is the mental picture, or personality of the store, a retailer likes to project to customers. Image is affected by advertising, services; store layout, personnel, as well as the quality, depth and breadth of merchandise. Customers tend to shop in stores that fit their images of themselves. Store Personnel: Sales personnel at a retail store can help build customer loyalty and store image. A major complaint in many lanes of retailing, is the poor attitude of a salesperson. There is a growing trend now, to provide training to, these sales clerks to convert them from order takers to effective sales associates.
- **Store Design -** A store's exterior and interior design affect its image and profit potential. The exterior should be attractive and inviting and should blend with the store's general surroundings. The term "Atmospherics" is used to refer to the retailer's effort at creating the right ambience. Merchandise display is equally important. An effective layout guides the customer though the various sections in the store and facilitates purchase.
- **Promotion -** Retail promotion includes all communication from retailers to consumers and between sales people and customers. The objective is to build the stores image, promote customer traffic, and sell specific products. It includes, both, personal and non-personal promotion. Personal communication is personal selling - the face to face interaction between the buyer and the seller. Department stores and speciality stores, emphasize this form of promotion. Non personal promotion is advertising. The media used are TV, Radio, Newspapers, Outdoor displays and direct mail, other forms of promotion include, displays, special sales etc.
- **Credits & Collections -** Retailers are generally wary of providing credit, because of additional costs- financing accounts receivables, processing forms and bad debts etc. But many customers prefer some form of credit while purchasing. This explains the popularity of different types of credit cards and debit cards.

5.3 Crm

Customer Relationship Management (CRM) refers to all marketing activities directed towards establishing, developing, and maintaining successful relationship with their customers.

The objective of relationship marketing is to attract, maintain, and enhance customer relationships with the existing and potential customer.

Objectives of CRM:

With an effective CRM strategy, a business can increase revenues by:

- **Providing services and products that are exactly what your customers want:** CRM help to design product as per specifications of the customers that can be obtained through feedback from them.
- **Offering better customer service:** Prior goal of CRM was to establish customer loyalty and perfect relationships, this is the main target for all the companies which are trying to implement CRM strategies and solutions. The company will not be able to achieve it unless it works like one organism. It is very important to provide clients with a high quality service. Otherwise they will look for another supplier of goods or services. At the same time another goal is to attract as many new customers as possible which is harder than keeping already existing clients.
- **Retaining existing customers and discovering new ones:** CRM helps to establish long term relationship with customers by obtaining their feedback and responses, it also helps not only to retain its old customers but keeping them as base an organization could attracts new customers as well.
- **Lower level of operating cost:** The reduction of costs is one of the main priorities for every company. All CRM processes are aimed on helping you to achieve it. At the same time, it is very important to have clear understanding of strategy that you have chosen for your business. Every process needs to be very efficient. Workforce managing system is the best tool for increasing the level of skills. It will eventually result in cost reduction. Every CRM process should be implemented and handled in a specific way in case lowering the costs is your main target.
- **Aiding the Marketing Department:** Implementation of CRM helps in determination of objectives, audience ways to accomplish those goals and how to measure the success of its effectiveness.

Steps involved in CRM process

Broadly, CRM process can be said to be comprising of four interactive activities.

- **Gathering customer data and constructing a customer database -** This is the first step in this process. This is a database which would comprise of all the data, the firm has collected about it‘s customer and will be the foundation based on which all the future CRM activities are planned and implemented. Ideally, the customer database must contain the following information.

  - **Transactions** – a brief history of the purchase made by the customer in terms of – date, price, goods etc. A record of customer interaction with the retailer or retail outlet. This include the information on how many times the customer had visited the shop, website, contacted via phone etc.
  - **Customer preferences** – Information related to what was the customer‘s choice in terms of colour, brand, material, size etc.
  - **Descriptive information** – more information about customer especially demographic and psychographic data. Feedback on customer‘s response to marketing activities.
- **Analyzing customer data and identifying target customers -** The next step in the CRM process is to analyze the customer database and use this information to help retailers develop programmes for building customer loyalty. Retailers make use of certain approaches to obtain such information. These include-
  - **Data mining techniques** – this technique identifies patterns of customer behavior which the analyst is unaware of prior to searching through the data.
  - **Market basket analysis** – this type of analysis focuses on the composition of basket or bundle of products purchased by the customers or household during a single shopping occasion.
  - **Identifying the specific market segments.**
- **Develop CRM programmes for the different customer segments -** Usually the retailer will work out programmes to retain their best customers , make efforts to convert good customers into high LTV customers and try to get rid of unprofitable customers. This include –
  - Retain best customers
  - Special customer services
  - Converting good customer to best customer
  - To tackle dealing with unprofitable customers

Effective implementation of CRM programmes - The purpose of having CRM programmes is to increase sales and profit of the retailer. The effectiveness of CRM programme will depend upon the coordination of different functional activities in the retailers organization. Thus MIS department has to collect, analyse and make the relevant information easily accessible for employees to implement the programmes. Finally successful implementation of the CRM programmes will depend upon store operations and human resource management ie hiring, training and motivating employees who will be using the information to deliver personalized services.

Customer Relationship Marketing (CRM) aims at providing four types of benefit components to the customers - personalization, communication, rewards and special treatment benefits. The CRM strategies in the organized retail sector have become extremely important these days with the introduction of several loyalty programmes and major focus on customer service. Now rewards are price offerings and money savings in order to procure the customer's loyalty.

Advantages of CRM in retail –

- **Customer Retention and Loyalty:** CRM helps in improving customer retention and loyalty. The customer will spend longer periods at the retail outlet and buy more products, which can result in long-term value.
- **High Customer Profitability:** CRM will help in generating high customer profitability through a steady flow of customer purchases from the same retail outlet. Retailers adopting CRM are able to generate higher revenue and profits. Effective CRM programme increase perceived value of the products in the customer‘s eyes. It will not only help in repeat purchases, but also increases the scope of cross selling and up selling. Cross selling is the purchasing of complimentary goods by the buyer. Up selling is selling more of higher value goods to the customers.
- **Reduced Cost of Sales:** CRM can result in reduced cost of sales as existing customers will be more responsive and active.
- **Low cost of retaining old customers:** The cost to attract and retain customers is lowered due to customer loyalty. According to an assessment, attracting new customer can be 5 to 10 times more expensive as compared to retaining old customers. This is based on calculations of expenses incurred on prospecting, advertisements, sales promotions, free samples, administration and database management.
- **Customer Satisfaction:** CRM aims at less customer problems. CRM improves quality of services provided to customers, thereby enhancing satisfaction of customers.
- **Improved Employee Productivity:** CRM results in improved employee productivity since there is smooth flow of work. If is easy to cater to the demands of the existing regular customer.
- **Micromarketing:** CRM helps in micromarketing due to the availability of better and detailed information about customers.

- **Business Performance Visibility:** There is better visibility of business performance and more correct sales forecasting.
- **Development of store as a brand:** The retailers should try to develop store as a brand, by looking beyond immediate customer satisfaction. Retailers should create an emotional bond with customers by offering them simple to use services.

How CRM benefits Retailers

Customer Needs	Retailers traditionally Provide	CRM benefits Customers by Enabling
Product Choice	Range Selection	Tailored Range
Access	Channel Choice	Consistent Experience
Support	Information	Enhanced Services
Individual Treatment	Customer Service	1:1 Relationship
Value	Scale Efficiencies	Customer Defined –Value‖

Customer Retention Management

Customer retention management is a tactically driven approach based on customer behaviour. Customer retention is considered by both scholars and practitioners to be one of the critical success factors for retail businesses with its implications for cost saving and profitability. Retained customers enhance profitability with their lower sensitivity to price changes and their likelihood of referring new customers.

The target of customer retention is to build and maintain a long term relationship with customers.

Both parties –the company and the customers- benefits from each other.

Benefits of customer retention are as follows:

- **Reduce cost of acquisition**: The acquisition of a new customer costs 5 to 10 times more than maintaining an existing customer. Therefore, customer retention positive effect on costs.
- **Increase in client base**: Customer retention helps also to decrease the migration rate of customers. This serve the purpose to maintain the existing clientele and together with instruments for acquiring new customers to increase the clientele.
- **Repurchasing**: customer retention and repurchasing are interrelated. Those customers which will retain with organization are expected to repurchase.
- **Increase in turnover**: Retained customers bring about positive results for the organization. With repurchase decision, turnover increases.

- **Profitable relation:** The –value of a customer‖ increases with time. The costs for customer liaison and support decline, whereas the turnover increases. The longer the relationship exists, the more profitable the relationship becomes.
- **Mouth publicity:** customers who are satisfied with the service of a company are likely to advertise positive word-of-mouth recommendation. This is one of the most efficient but also economic activities to win new customer.

Customer Retention Approach

- **Frequent Shopper Program –** Ever since the acclaimed success of frequent buyer programs in the airline industry, companies in many retail stores such as hotel, grocery etc. have rushed to introduce, –frequent shopper programs.‘ These programs offer various incentives & regards to consumers on the basis of cumulative purchases from a given provider, be it store, a service or a manufacturer.

  It is one awarding special discounts or prizes to people for their continued patronage. In most such programs, customers must accumulate a certain number of points & these points are redeemed for cash or prizes.

  Many frequent shopper program deliver discounts at the check-out & allow shoppers to earn a rebate for buying a targeted amount of groceries within a well-defined period. A good frequent shopper programs can actually increase the profits of a retailers.
- **Personalization Strategies –** Personalization is a key tactic for implementing one-to-one marketing strategies that strengthen customers loyalty & often provide a high return on marketers investment. Customers with whom organization has a depth of relation, provide a rich source of new ideas that can also be exploited with other customers or with new prospects. Satisfied & loyal customers provide excellent references & referrals.
- **Special Customer Services –** This retention strategy states that various specialized services could be provided to retain customers as per their needs.
- **Community –** Online customer communities have gathered steam in recent years, largely because of social media technologies, mobile devices & the Web. These technologies have facilitated communication, making interaction with companies faster. Online customer communities are great ways to boost customer retention & move from retention to customer loyalty or even advocacy.

5.4 Challenges & Threats In Global Retailing

Impact of Globalization On Retail

- Retail is the fastest growing sector in the Indian economy. Traditional kirana stores are getting replaced by departmental stores, hypermarkets, supermarkets & speciality stores.

- Study on global retailing trends found that India is the least competitive as well as least saturated of all major global markets. This implies that there are significantly low entry barriers for players trying to setup base in India, in terms of competitive landscape.

Positive Impact of Globalization

- Corporates can operates across the nations availing benefits of host country
- It encourages free trade among the nations
- It also helps in increasing liquidity among the developing countries as investments will move from developed to developing country
- Business gets operates across the boundaries
- Free flow of goods, service, people between the nations who earn them proper returns.

Negative Impact of Globalization

- Indian retailers are not able to survive the competition form global players which lead to unemployment.
- Imports can increase in home country as retailers who have entered country in form of FDI could prefer to import resources or skills from their own country.
- Global retailers sell at lower price as compared to domestic players so as to create market base.
- Indian retailers are at a disadvantageous position compared to foreign retailers who have access to International funds at lower interest rates.

Challenges Faced by Global Retailers

When an organization moves from domestic to the global market, it has to deal with many problems and complexities. Given below are some of the global retailing challenges commonly faced by the companies:

- **Coping Up with Changing Technology:** The organizations today are judged more based on their efficiency receiving and transmitting information. Therefore, the companies operating on an international level need to depend upon the technology and e-retailing platforms.
- **Language and Communication Barriers:** While selling goods or services overseas, the organization faces difficulty to connect with locals or potential consumers. This is due to the difference in language, preference of communication modes, translation errors, etc.
- **Consumer Empowerment:** With the rapid change in technology, lifestyle and demand has led to consumer empowerment and thus, made it difficult for the companies to generate customer loyalty.
- **Cultural Complexities:** Every market is culturally diverse, and the consumers‘ values define their priorities for the goods or services, purchasing power and modes of shopping and making payments. Understanding the culture of the potential market is a complicated task.

- **International Shipping Policies:** The overseas trading policies like licence, excise duty, taxes and rates, import-export policies, exchange rates, etc. act as a considerable challenge for the companies going global.

5.5 Unit End Questions

A. Descriptive Question

Short Questions

1. Discuss the significance of internet and social media in retail communication.
2. What are the various tools available in sales promotion for a retailer?
3. What are the differences between advertising and publicity?
4. What are features of personal selling?
5. How direct mails are more useful?

Long Questions

1. What are the unique characteristics of global retailing?
2. Describe advantages and disadvantages of global retailing
3. What is a customer relationship management (CRM) program? Describe CRM program process.

B. Multiple Choice Questions

1. Which types of service can be used by a retailer to differentiate itself from competition?
   a. Expected customer service
   b. Augmented customer service
   c. Peripheral customer service
   d. Core customer service
2. Which strategy is an important part of customer service?
   a. Employee empowerment
   b. Retail research
   c. Organization mission
   d. Cost consciousness
3. ______refers to all marketing activities directed towards establishing, developing, andmaintaining successful relationship with their customers.
   a. CRM
   b. Customer retention
   c. Retail research

d. Global marketing

4. _________technique identifies patterns of customer behavior which the analyst is unaware of prior to searching through the data.
    a. Data mining
    b. Data research
    c. Market basket analysis
    d. Market segmentation
5. _______ type of analysis focuses on the composition of basket or bundle of products purchased by the customers or household during a single shopping occasion.
    a. Data mining
    b. Data research
    c. Market basket analysis
    d. Market segmentation

Answers

1-b, 2-a, 3-a, 4-a, 5-c

5.6 REFERENCES

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UNIT- 6 RETAIL SCENARIO

STRUCTURE

6.0 Objectives

- To get acquainted with the Indian retail scenario.

- To know about the micro environment of the retailer
- To understand the macro environment of the retailer
- To know about India as a top retail destination
- To understand growth drivers for Indian retail industries
- To get acquainted with India‘s Retail Industry
- To know about the Retail industry at the global level
- To understand the challenges for retail in India

6.1 INTRODUCTION

Increased per capital income, shifting lifestyles, and increased product availability have all had an impact on demand in the Indian retail sector. Over the past ten years, the retailing landscape in India has undergone a dramatic transformation, and its emergence started from the country's early years of liberalization.

The abilities required for organized retailing cover a wide range of tasks, including choosing stock levels, the product mix, brand mix, and human relations. They also include dealing with regulatory authorities, managing customers and employees, and controlling costs. A wide range of unique products, including food, clothing, consumer goods, and services, are covered by retailing. Over 75% of all retail trade is handled by the organized sector in industrialized nations, where the retail business has grown into a full-fledged industry.

Modern forms like Super-markets and non-store retailing methods like multi-level marketing and E-Retailing coexist with traditional formats like hawkers and grocers. According to Charles Darwin's theory of evolution, animals must change with their environment or become extinct like the dinosaurs. Different evolutionary forces are hard at work in the retail environment of today. The retail industry is adjusting to a changing population rather than consumers responding to change.

Improved per capita income, shifting lifestyles, and increased product availability have all had an impact on demand in the Indian retail sector. In addition to contributing about 10% of the nation's GDP, it also provides over 8% of all jobs. India is the fifth-largest international retail market in the world. In the 2019 Business-to-Consumer (B2C) E-commerce Index published by the United Nations Conference on Trade and Development, India came in at position 73. India is the fifth-largest international retail destination in the world and is ranked 63 in the World Bank's Ease of Doing Business 2020 report.

6.2 Retail Environment

6.2.1 The Microenvironment of the Retailer

The main objective of every retailer is to provide service profitably and fulfill the needs of the designated target markets. The retailer collaborates with a group of suppliers and a group of middlemen to reach its target customers to complete this goal. The retailer's primary marketing system is made up of the clients of the suppliers' middlemen. The forces that affect the retailer's microenvironment will now be examined. The first force is Suppliers. Suppliers are companies and individuals who provide the resources the shop needs. For instance, a retail store needs to buy a variety of products from numerous suppliers in order to be able to offer them as soon as clients inquire about them. The marketing strategies employed by the retailer may be significantly impacted by changes in the "suppliers'" environment.

The second force is Intermediaries. Companies known as intermediaries help retail stores market, sell, and distribute their products to end users. Large corporations may employ agents to locate merchants in various South Indian cities, and these agents may receive commissions based on the stores' success. The agents don't acquire the goods; instead, they give retailers orders on what to buy and eventually sell to consumers. The third force is Customers. A retailer establishes connections with suppliers and middlemen to effectively provide the right goods and services to his target market. Individuals and households that purchase goods and services for personal use may be its target market. The last force is Competitors. Rarely does a store work alone to service a certain customer market. Similar attempts are made by others to match his efforts in developing an effective marketing system to serve the market. Numerous competitors surround and influence the retailer's marketing system. To acquire and keep consumer loyalty, it is necessary to watch and outmaneuver these rival businesses.

6.2.2 Retailer’s Macroenvironment

An organization's marketing operations are impacted by a variety of factors, including demographic, legal, social, economic, and technological factors. Therefore, it is necessary to continuously monitor the external macro environment and factor that affect the retailer's marketing strategies. The first main factor is demographic setting. Population is the first environmental factor that matters to merchants since consumers make up markets. The population's size, geographic distribution, density, mobility patterns, age distribution, and social, racial, and religious composition are all of great importance to retailers. Demographic structure rarely remains constant for very long and shifts in its makeup frequently put a marketing firm's location to the test.

The second factor that is contributing most is the political and judicial setting. Political and legislative issues have a significant impact on retail marketing decisions. This setting is made up of the laws, governmental bodies, and pressure groups that affect and impose restrictions on different social organizations and individuals. Over time, the amount of legislation affecting the retail industry has continuously risen. Laws are subsequently passed to stop unfair competition. Protecting customers from unscrupulous retail activities is the other goal of government regulation. The third important factor is social and cultural impact. As a replacement for the marketing concept, the idea of social responsibility has recently appeared in marketing literature. According to the connotation of socially conscious marketing, retail companies should take the initiative in banning socially destructive products like cigarettes and other dangerous medicines. Numerous pressure organizations, including consumer advocates, social workers, the media, business associations, and others impose limitations on the marketing process, and their effects may be felt by merchants when conducting business. The second last factor that is affecting the macroenvironment of retailer is financial and economic environment. Both people and their purchasing power are present in retail markets. A person's overall purchasing power depends on their current income, pricing, savings, and access to credit. Major societal and economic trends should be known to marketers. A firm's business strategies may be negatively impacted by changes in the economy. The common themes of shortages, growing costs, and ups and downs in business cycles are expected to make economic analysts' projections for the coming years difficult to make.

The last factor is Technological Surface Environment. Technology is the factor influencing people's lives most dramatically. Technology advancements are a significant factor that has two effects on retail marketers. First, they are completely unpredictable, and second, limitations imposed by internal and external resources frequently prohibit the adoption of new technologies. At the same time, it's important to keep in mind that technological advancement both opens new opportunities and puts particular businesses at risk.

6.3 Indian Retailing Scenario

6.3.1 Top Retail Destination: India

In the previous ten years, the Indian retail sector has witnessed a significant shift and has experienced great growth. It is anticipated that the Indian retail market would reach around $2 TN by 2032, up from 690 $ Bn in 2021.

India is currently the fourth-largest retail market in the world, and it has rebounded from epidemic lows to grow 10% annually, from 630 billion dollars in 2017 to 690 billion dollars in 2021. India has the second-largest population in the world, 158 middle-class homes, a growing urban population, expanding family incomes, connected rural consumers, and rising consumer expenditure are all contributing factors.

In 2021, India's position on the Global Retail Development Index (GRDI) was No. 2.

In FY20, the retail sector in India contributed $800 billion to the country's GDP and employed 8% of the labour force (35+ million people). By 2030, it's anticipated to generate 25 million new employment.

Major Indian cities now have 120 million square feet (MSF) of structured retail space available to them because of rising demand. The two largest Indian cities are Mumbai (23.7 MSF) and Delhi (16.7 MSF)

The major retail segments are FMCG, clothes and footwear, and consumer electronics, making up 65%, 10%, and 9% of the total retail market, respectively. • The Gross Merchandise Value (GMV) of the e-commerce market is predicted to reach $350 billion by 2030.

- By 2030, it is predicted that India's digital economy would reach $800 billion, that the number of online buyers will increase to 500 million from 150 million in 2020, and that there will be 1.2 million daily e-commerce transactions.
- In 2021, there were $300 billion in total digital transactions, and by 2026, that number is expected to rise to $1 trillion.

6.3.2 Growth of Indian e-commerce industry by 2030

According to estimates, the Indian retail sector would grow to $2 TN by 2032 due to sociodemographic and economic variables like urbanization, income growth, and an increase in nuclear households. The Indian e-commerce market, on the other hand, is anticipated to reach $350 billion by 2030 while expanding at a CAGR of 23%.

E-commerce accounted for about a third of sales in several electronic categories in the first half of 2021, nearly half of all smartphone sales, and approximately a fifth of all textile sales in India. Consumer internet and e-commerce businesses raised US$38 billion in 2021, up from US$8 billion in 2020, as the Indian start-up ecosystem continues to develop and large-scale investments are made in the fintech, hyperlocal, and e-commerce sectors.

By 2030, India will have a projected annual gross merchandise value of $350 billion, making it the third-largest online retail industry.

The retail industry in India is generally unorganized. The share of modern retail, which includes e-commerce, will rise to 30-35% during the next 3–5 years, while the share of conventional retail will decline to 65-70%.

6.3.3 Growth Engines

- **Rising income**

  India will add 140 million middle-class households and 21 million high-income households by the year 2030, creating a sizable emerging middle class.

- **An increase in online purchases**

  The number of online shoppers in India is anticipated to increase to 500 million from 150 million by the year 2030.
- **Rural Consumption growth**

  By 2030, rural per capita consumption will increase 4.3 times faster than it would in metropolitan regions (3.5 times faster).
- **Millennial households under 30**

  Millennials, who were born in a liberalized India, will head almost 90 million new households that will be added to India by 2030.

6.3.4 Overview of the Indian Retail Sector

According to estimates, over 50% of India's sizable and stable private consumption will be made up of consumer goods in FY 2022. In FY 2022, the retail sector was projected to generate US$ 836 billion. The majority of India's retail spending on goods is made up of the Food and Grocery segment (F&G). Because the Indian economy is still developing, a high share of F&G is to be expected. As economies mature, as is the situation with the UK, the proportion of F&G in their retail consumption basket decreases and stabilizes at about 55%. However, such a deterioration happens gradually over many years. A rising share of discretionary retail is always favoured by a declining share of food and beverage sales, and in India's case, clothes and accessories make up the majority of the country's retail sales. The retail sector experienced a decrease of roughly 8.5% in FY 2021 as a result of the COVID-19 pandemic. In FY 2021, the share of retail essential categories like Food & Grocery and Pharmacy climbed by 2 percentage points and 1 percentage point, respectively, while the share of discretionary categories like clothes & accessories, footwear, jewelry & watches, and beauty & personal care decreased. The retail industry is anticipated to have fully recovered in FY 2022, and between FY 2022 and FY 2025, it is predicted to rise steadily at a rate of 10% CAGR, reaching a significant US$1, 109 billion. In India, organized retail makes up a smaller portion of the economy (18.5 percent in FY 2022) than it does in developed nations like the US, the UK, and Germany, where it is more prevalent. However, the online business has expanded significantly in relatively recent markets like China. Between FY 2022 and FY 2025, India's organized brick and mortar and internet channels are predicted to develop at a CAGR of 29% and 19%, respectively. The organized brick and mortar sector in India was predicted to be worth US$ 100 billion in FY 2022, with the biggest contributions coming from the categories of jewels and watches (29 percent), food and grocery (26 percent), and clothes and accessories (20 percent). In addition to continuing to be important, these categories' organized penetration is anticipated to grow at the fastest rate. The online channel remained the one with the strongest growth in FY 2022, increasing by almost 32% year over year to reach an anticipated US$ 54 billion, with the highest contributions coming from the categories of mobiles (32%), clothes & accessories (24%) and Food & Groceries (13%) respectively.

6.3.5 Challenges for retail in India

The customer behaviour that the digital transformation is also preparing for, however, could prove to be a significant issue for the retail sector in 2023.

1. In the upcoming year, it will be difficult to maintain brand loyalty since Indian consumers, who have a cultural tendency to try several different items before choosing one, have more tools at their disposal thanks to smartphones or access to the internet. Although conventional customer loyalty programmes will continue to be successful, marketers must find ways to deal with the expanding customization trend.
2. Second, to select the ideal digital solution for themselves, retailers must navigate the maze of options available on the market. Most merchants aim to use software to optimize their operations, but they frequently choose poorly. Owners of businesses must comprehend the features offered by the software and determine whether they are compatible with their business strategy. A business that functions well without a complex software platform could see cost hikes and internal strife. For the best results, the approach is to look for software designed specifically for retail businesses.
3. Thirdly, many retail businesses have trouble measuring the outcomes of their marketing initiatives, which may include paid media, local SEO, corporate SEO, content strategy, and social media. The industry or business needs to figure out how to use digital channels to produce leads, sales, and MRR.

6.4 Retail Industry at Global Level

Strategic planners, marketers, and senior management can examine the state of the global retail sector as it recovers from the COVID-19 shutdown with the help of COVID-19 Impact and Recovery until 2030. Wal-Mart, Costco, Kroger, Amazon Inc., and Home Depot are significant retailers. At a compound annual growth rate (CAGR) of 10.5%, the worldwide retail market is anticipated to increase from $20298.69 billion in 2020 to $22438.07 billion in 2021. The companies' reorganization of operations and recovery from the COVID-19 impact, which had previously resulted in restrictive containment measures involving social estrangement, remote work, and the closure of commercial activities that created operational challenges, are primarily responsible for the growth. At a CAGR of 7%, the market is anticipated to reach $29361.95 billion in 2025.

The retail market is made up of companies (organizations, sole proprietors, and partnerships) who sell products to consumers directly and offer the service of making products accessible in convenient quantities and locations. Retailing entails splitting big orders, purchasing from wholesalers or producers directly, presenting products for sale in-person or online, and occasionally providing delivery.

Wholesalers are independent businesses in the supply chain that purchase in large quantities and sell to resellers rather than to end users. Retailers and wholesalers both take possession of the products and as a result, assume the risk of maintaining inventory. Additionally, they lessen the overall volume of transactions needed to transmit goods from producers to consumers.

The retail market is broken down into motor vehicle and parts dealers, food and beverage stores, gas stations, miscellaneous store retailers, cosmetics and personal care shops, clothing and clothing accessories shops, electronics and appliance shops, furniture and home furnishings shops, supermarkets and hypermarkets, convenience, mom-and-pop shops, department stores & other general merchandise shops, ecommerce & other non-store retailers, building material and supply shops, and stores that sell clothing and clothing accessories.

In 2020, Asia Pacific accounted for 35% of the global retail market, making it the largest region in the world. With 29% of the worldwide retail market, North America was the second-largest region. The Middle East was the world's smallest retail market region.

Drones are being more often used in the retail and e-commerce sectors to speed up deliveries and boost profits. A drone is an unmanned aerial vehicle (UAV) that can be remotely controlled or that can fly on its own using flight plans that are controlled by software. Retailers may save money and help customers get their products faster by using a drone instead of more conventional delivery methods. For instance, Amazon has been investing in its Prime Air drone deliveries, which promise to be finished in under 30 minutes. While still awaiting regulatory approval in the US, Amazon has begun drone delivery testing in the UK.

The COVID-19 outbreak has had a significant impact on the retail market in 2020 as supply chains were disrupted by trade restrictions and consumption fell because of lockdowns imposed by governments around the world. A viral illness called COVID 19 causes flu-like symptoms like fever, coughing, and breathing difficulties.

A strong and well-rounded management strategy for data analytics is being adopted by several retailers. Data has become essential for most retail operations, and this technology is being used to improve supply chain efficiency, streamline processes to engage customers, and foster loyalty. Retailers will find it easier to identify and meet the requirements and expectations of their customers as a result of the rapid growth in retail data and the availability of tools to analyze data, which is predicted to boost the market going forward.

6.5 Unit End Questions

A. Descriptive Question

Short Questions

1. Explain in brief the present retail scenario in India
2. Discuss the different forces that affect the retailer's microenvironment
3. Investigate in brief the effect of Political and Judicial Setting on the retailer's macroenvironment
4. Elaborate the effect of technology on the retailer's macroenvironment

Long Questions

1. Discuss in detail how legal and social factors affect the retail environment.
2. Explain the major challenges for retail in India.
3. Elaborate the various factors affecting growth of Indian e-commerce industry by 2030
4. Investigate the different growth engines of retail industry in India

B. Multiple Choice Questions

1. Which of the following components are part of the microenvironment of the retailer?
    a. Suppliers
    b. Intermediaries
    c. Customers
    d. All of the above

2. Which of the following components are part of the microenvironment of the retailer?
    a. Suppliers
    b. Demographic Setting
    c. The Political and Judicial Setting
    d. Social and Cultural Impact

3. What was India‘s position on Global Retail Development Index(GRDI) IN 2021
    a. 2nd
    b. 1st
    c. 5th

d. 7^{th}

4. At what $ billion GMV of e-commerce is predicted to reach by 2030 ?

a. $ 350 billion

b. $390 billion

c. $ 400 billion

d. $ 500 billion

5. According to the Report of Retail Industry is anticipated to generate 25 million new employments by which year.

a. 2030

b. 2040

c. 2025

d. 2050

6. Most of the India's retail spending on goods is made up of the which segment (F&G).

a. Food and Grocery segment (F&G).

b. Clothing & Textiles

c. Consumer Durables

d. Footwear

Answers: 1.d, 2.a, 3.a, 4.a, 5.a, 6.a

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UNIT- 7 CONTEMPORARY ISSUES IN RETAIL MANAGEMENT

STRUCTURE

7.0 Objectives

- To learn about Contemporary issues in retail management
- To get acquainted with the underlying concept of E-Retailing
- To understand about the various types of E-Retailing
- To study about E-Retail Sales Influencers
- To clear the concept of elements of online retail
- To know the different benefits of Online Retailing
- To explore various aspects of Green Retailing

7.1 Introduction to Contemporary ISSUES IN Retail Management

The retail sector is continually evolving, both in terms of consumer behavior and the general structure of the competitive market. It must therefore carefully evaluate the current state of its organizational strategies and their effects. Retail is no different from other industries in that it has its quirks. As a result, the traditional methods for anticipating consumer behavior, together with the methodology for developing both strategy and policy, are no longer applicable and must be changed. Customer loyalty is declining, thus management in the retail industry as a whole must decide which effective actions to take to both attract new customers and keep the ones they already have. The typical consumer nowadays is well-educated, experienced, and acutely aware of both his or her own importance and the entire purchasing process. Consequently, gaining access and maintaining the client's satisfaction are crucial. Therefore, all phases of the process, from procurement to sales, should be covered by the modifications needed in the management of retail chains. The companies won't be able to satisfy market needs if they are ill-prepared or reluctant to make an operational change. The business sector has reached a tipping point where it is impossible to disregard environmental challenges. Today, achieving business achievements requires more than just growing volume overturn. Numerous new variables are considered, including the demographic effects of an aging population, rising urbanization, and degrees of digitalization. The differences between socioeconomic classes are widening and shifting daily in the modern world, which is changing at an ever-increasing rate. When faced with such dilemmas, management finds it extremely challenging to select the best course of action. There are a lot of factors that need to be considered. The retail tactics that were effective in the past are no longer relevant. Consumption has always been a function of both population growth and the opening of new businesses. The modern customer is a logical player who weighs a wide range of variables. Thus, this altered customer behavior causes a shift in the business paradigm, putting enterprises under pressure to adopt new trends or risk going out of business. With these changes in internal factors and external factors, retail sector needs to change their way of working. In this chapter, two very important contemporary issues viz. E-Retailing and Green-Retailing are emphasized upon.

7.2 Internationalisation and Globalisation of Retailing

The crucial data that strategists, marketers, and senior management need to evaluate the global retail sector as it recovers from the COVID-19 shutdown is provided by COVID-19 Impact and Recovery to 2030.Walmart, Costco, Kroger, Amazon Inc., and Home Depot are significant retailers. At a compound annual growth rate (CAGR) of 10.5%, the worldwide retail market is anticipated to increase from $20298.69 billion in 2020 to $22438.07 billion in 2021.

The companies' reorganization of operations and recovery from the COVID-19 impact, which had previously resulted in restrictive containment measures involving social estrangement, remote work, and the closure of commercial activities that created operational challenges, are primarily responsible for the growth. At a CAGR of 7%, the market is anticipated to reach $29361.95 billion in 2025.

The retail market is made up of companies who sell products to consumers directly and offer the service of making products accessible in convenient quantities and locations. Retailing entails splitting big orders, purchasing from wholesalers or producers directly, presenting products for sale in-person or online, and occasionally providing delivery.

Wholesalers are independent businesses in the supply chain that purchase in large quantities and sell to resellers rather than to end users. Retailers and wholesalers both take possession of the products and as a result, assume the risk of maintaining inventory. Additionally, they lessen the overall volume of transactions needed to transmit goods from producers to consumers.

The retail market is broken down into motor vehicle and parts dealers, food and beverage stores, gas stations, miscellaneous store retailers, cosmetics and personal care shops, clothing and clothing accessories shops, electronics and appliance shops, furniture and home furnishings shops, supermarkets and hypermarkets, convenience, mom-and-pop shops, department stores and other general merchandise shops, ecommerce & other non-store retailers, building material and supply shops, and stores that sell clothing and clothing accessories.

In 2020, Asia Pacific accounted for 35% of the global retail market, making it the largest region in the world. With 29% of the worldwide retail market, North America was the second-largest region. The Middle East was the world's smallest retail market region.

Drones are being more often used in the retail and e-commerce sectors to speed up deliveries and boost profits. A drone is an unmanned aerial vehicle (UAV) that can be remotely controlled or that can fly on its own using flight plans that are controlled by software. Retailers may save money and help customers get their products faster by using a drone instead of more conventional delivery methods. For instance, Amazon has been investing in its Prime Air drone deliveries, which promise to be finished in under 30 minutes. While still awaiting regulatory approval in the US, Amazon has begun drone delivery testing in the UK.

The COVID-19 outbreak has had a significant impact on the retail market in 2020 as supply chains were disrupted by trade restrictions and consumption fell as a result of lockdowns imposed by governments around the world. A viral illness called COVID 19 causes flu-like symptoms like fever, coughing, and breathing difficulties.

A strong and well-rounded management strategy for data analytics is being adopted by several retailers. Data has become essential for most retail operations, and this technology is being used to improve supply chain efficiency, streamline processes to engage customers, and foster loyalty. Retailers will find it easier to recognize and meet the requirements and expectations of their customers because of the rapid growth in retail data and the availability of tools to analyze data; this is predicted to drive the market in the future.

7.3 E-Retailing

Technology has muddled the lines and made the retail sector accessible whenever, and however customers like to shop. In an effort to tailor customer experiences, savvy retailers are leveraging this by taking advantage of strategic possibilities to flawlessly combine their physical and internet channels. The internet offers retailers with a very rich and flexible new channel because of its capacity to provide information, facilitate two-way communication with customers, collect market research data, promote goods and services, and ultimately support the online ordering of goods (Bass and Muylle, 2003). The internet gives retailers a mechanism for: expanding target markets, improving customer communications, extending product lines, improving cost efficiency (Srinivasan et al., 2002). The selling of retail items online is known as electronic retailing, commonly referred to as e-Retailing or e-tailing. Retailers are using e-tailing more and more as a channel to connect with customers and increase market share in the face of fiercer competition. It is regarded as a crucial component of any retailer's multi-channel approach. Consumers are changing their buying habits in order to interact with both physical and online retailing more fluidly as a result of mobile technology, specifically smart phones and tablets.

7.3.1 Types of E-Retailing

- The world of e-retailing includes a wide range of categories, including wholesalers and sellers of goods and services. Sales may be conducted via auction or using list pricing. The Merchant Model and the Affiliate Model are the two main e-tailing business models.
- A virtual merchant, often known as an e-tailer, is a retailer that only conducts business online such as Amazon.com
- Catalog Merchant: An online catalog-based mail-order company combines ordering over the phone, the mail, and the internet.
- Brick and Clicks is a conventional brick-and-mortar storefront that also has a website.

- Clicks and Bricks - Formerly online merchants with a physical location. For instance, bharatmatrimony.com and makemytrip.com
- Bit Vendor: In its purest form, this type of business only trades in digital goods and services, doing all of its online distribution and sales. Consider the Apple iTunes Music Store.

7.3.2 E-Retail Sales Influencers

- **Internal Factors:** Following factors which are internal to an organization act as e- Retail Sales influencers. These are Product Changes, Style, and Quality, Changes in Service Type, Quality, Shortages, Production Capability, Promotional Effort, Sales Motivation Plans, Price Changes, Inventory Shortages, Working Capital Shortages, Distribution Techniques, Credit Policy Changes, and Labor Issues.
- **External Factors:** Among the external factors which are out of control of business are Seasons, Holidays, and Events, Special events, direct competition, indirect competition, and external labour events are all included. Productivity adjustments, Creation of families; Births and deaths, Styles or trends, Population shifts, Spending patterns, Political developments, Weather.

7.3.3 Elements of online retail

Electronic retailing, also known as e-tailing, is the direct sale of goods, information, and services via online storefronts built around electronic catalogues and auction platforms. On the Internet, there are tens of thousands of storefronts or e-commerce sites that are extensions of current shops or start-ups. An electronic retailing business must have a few key components in order to succeed. Before putting together an electronic shop, one must take these factors into consideration well ahead. Learn about the elements of online retailing. These are listed below:

- Business-to-consumer (B2C) e-commerce portal that is appealing: User-friendly and attractive interfaces and navigation are essential. The website ought to have a clear sense of its brand.
- The appropriate revenue model should be honest and transparent regarding service levels and costs.
- The Internet's penetration as a supplement to the current physical infrastructure, the e-commerce portal aims to increase client loyalty. For greater success, the store should be aware of local internet penetration.
- E-Catalogue is a product database containing prices and stock levels. By offering product comparisons based on pricing and features, the merchant can add value to its services. For the

clients, this would increase the value of the e-commerce portal. In order to make the customer feel unique, the merchant can highlight particular incentives offered to customers under the loyalty program.

7.3.4 Benefits of Online Retailing

There are several benefits to e-tailing, regardless of whether it is a traditional brick-and-mortar retail store, an expansion of the existing firm, or a new start-up. E-commerce offers a wide range of options to retailers of all kinds. Let's explore the benefits of e-retailing. These are listed below:

- Online shopping offers fast prices on a wide range of goods from several sellers. E-commerce offers the ability to compare prices online, which makes choosing a product simple and quick.
- E-retailing offers retailers the chance to access markets that are otherwise inaccessible. It provides home shopping experience:
- E-Retailing gets around some of the drawbacks of conventional forms. For instance, customers can purchase conveniently and comfortably at home
- For the current merchants, this is an extension of their current means of leveraging their expertise to increase revenues and profits without bringing in new customers.
- E-commerce software keeps track of customers' online actions. It enables online companies to learn important things about their clients' shopping habits. 24 hours shopping: Online stores are usually available 24 hours a day. Many customers who have internet access both at work and at home go online shopping. Moreover, increasing fuel costs, large mall crowds, and time constraints are motivating buyers to shop online. Retailers can get the order from any customer living in any place at any time of the day. E-tailing removes the barriers of time and space.
- E-commerce platforms are unquestionably effective and highly cost-efficient for retailers. Retailers do not have to pay a high rent for their stores in pricey malls.

7.3.5 Shortcomings of E-Retailing

Numerous problems plague the e-retailing (online retailing) process. The use of online retail has some disadvantages.

i) The emotional shopping experience that a customer may have in a personal shopper's store is absent.

ii) It comes into contact with intangible goods (i.e., virtual display of merchandise). As a result, the client receives no sensory support from it. The goods cannot be held, felt, smelled, or tried on by the customer.

iii) Online users are hesitant to disclose their credit card, debit card, or net banking information because they worry that it might be used improperly. Security issues result from it. Customers are still not sold on how reliable this system is.

iv) It offers impersonal services that Indian clients are not used to. They may miss the concrete, personalised services that they are more accustomed to from online shopping businesses.

v) The experience of shopping with your family is lacking. The weekend is a favourite time for Indian customers to purchase, especially during holiday and wedding seasons. Since customers cannot physically see the object before making a purchase, there is a constant feeling of deception in their minds when they shop online.

7.3.6 Support Services for Online Retail

Support services are a must for the electronic retail industry's smooth operation. Throughout the whole transaction-processing phases, these services are necessary to support the firm, whether it operates online or offline. The necessary support services are as follows:

- Foundation of communication
- Logistics
- Order fulfilment
- Payment mechanism

7.4 Green-Retailing

The term "green movement" is quickly gaining popularity in today's corporate sector. Globally, the majority of industries have begun to recognise the effects of the environmentalist boom, which has raised public awareness of climate change and energy efficiency to a high level. Businesses all over the world are creating green business plans, trying to create low-carbon environments, and making attempts to increase the carbon efficiency of current infrastructure and goods. Green retailing techniques are being adopted by retailers globally to enhance their environmental performance and retail value chain (Tang et al., 2011).

Green retailing (GR) is the practice of running retail establishments with consideration for the environment and by utilizing green practices. It is a management strategy that seeks to safeguard the environment by decreasing waste, boosting productivity, and lowering prices in order to enhance the retail value chain. It is a multifaceted construct that encompasses various procedures (means) and goals (end), as well as to the important persons involved (Tang et al., 2011).

The question of whether or not going green is advantageous has been under discussion. Retailers have noticed that many of their customers are choosing their products based on their environmental concerns. Customers might, for instance, opt to purchase a product with minimal and environmentally friendly packaging or may decide to buy at a store where the retailing communication emphasises the company's efforts to save energy. Retail outlets are crucial in the distribution of eco-friendly goods because they act as brokers between producers and customers (Bansal and Kilbourne, 2001; Jones et al. 2005, Sadowski and Buckingham, 2007). As a result, these shops have a significant impact on the supply and demand for products that are ecologically friendly. Today, we can go into different supermarkets and ask for organic and environmentally friendly fruits, vegetables, milk, coffee, organic clothing made from cotton that was cultivated sustainably, and hybrid vehicles. The current state of global warming is making it extremely important for all market participants to adopt sustainable practices. As a result, green retailing is expanding and green marketing is becoming more popular. By serving as a liaison between the supplier and the consumer and fostering demand for environmentally friendly goods, the retailer plays a critical role in the achievement of the goal of sustainable development. A retailer can use green techniques to lessen the environmental impact of routine tasks including transport, storage, and shop design. The current generation is troubled by a number of issues, including water scarcity, industrial pollution, rising temperatures, etc. Global warming is too responsible for all of these issues. It can be stopped by growing more trees, using fewer natural resources, using better technology to limit industrial pollution, and most crucially, by all industry participants adopting environmentally friendly practices.

Climate change is a dreadful issue that must unquestionably be resolved. It should be given top importance, according to Bill Gates. This emphasizes how important it is to live sustainably; governments all over the world are imposing several regulations on business activities to reduce pollution. The move to a low-carbon society is being fueled by government legislation, public awareness, and environmental concerns, and most Fortune 500 businesses now include sustainability and greening company operations as part of their CSR initiatives. Many businesses are attempting to incorporate Triple Bottom Line (TBL) practices into their operations in order to achieve sustainability. TBL is referred to as the "three pillars of sustainability" by John Elkington and includes social, environmental (or ecological), and financial dimensions, or the three Ps: people, planet, and profit (The Economist, 2009)

A retailer buys products from producers or wholesalers and sells them to consumers through their retail location. They store bulk commodities in warehouses and release them into stores as needed, using resources like power, gasoline, and diesel in the process. Retail buildings in the US use $20 billion in energy annually, with food retailers using 42% of that amount for refrigeration (Meriah Jamieson, 2014). By using a lot of plastic for packaging, etc., these shops contribute to pollution, and plastic bags are the No. 4 pollutant of the world's oceans (Julie Mahfood, 2014). Plastic bags were introduced by supermarkets in 1977, endangering plankton and marine life. They are also inexpensive and lightweight, making them convenient for customers to carry items around, but they have an irreversible harmful impact on the ecosystem (The World Counts, 2014). These retailers can go green by incorporating environmentally friendly practices into their daily operations, such as using standardised vehicles for products transportation, solar energy consumption, energy-efficient equipment, etc. As a result, a retailer has the capacity to influence and encourage sustainability among suppliers and customers by his own actions.

7.4.1 Three rules of green retailing for sustainability

- **Reduce your use of resources like paper, power, and other resources**
- Installing energy-efficient equipment, such as LED lighting (which uses 75% less energy than incandescent bulbs), installing modern refrigeration systems (refrigerants contribute for 12% of the global GHG footprint), implementing motion-activated lighting inside of stores, etc. Utilize technology for billing, invoicing, vendor payments, order management, etc. to reduce paper transactions.
- To save on fuel, invest in a fleet of hybrid trucks for transportation, employ battery-operated forklifts for material handling, etc.
- Recycle every material that can be recycled, such as paper, aluminium, plastic, water, etc.
- Choose green construction methods for stores, such as green/eco-buildings with empowerment roof top solar energy systems, rainwater harvesting system, and green roofs, and recycle construction materials like old doors, windows, etc.
- Should consider adding indoor plants to enhance air quality and provide access to daylight.
- **Use rechargeable batteries and packaging materials again.**
- Reuse cardboard boxes and packing materials and print double-sided whenever you can.
- Utilize environmentally friendly cleaning supplies; recycle paper, plastic, metals, toner cartridges, etc.
- Switch out temporary dishes for permanent ones, etc.

Retailers may lower operational costs and achieve sustainability at the same time by operating in a green manner. Waste management, keeping solid trash out of landfills, handling hazardous waste like herbicides, oil paints, batteries, etc., and recycling initiatives are all examples of sustainable practices. This will aid in developing a green brand that benefits from purchasing environmentally friendly and sustainable goods and draws in customers who share those values.

7.4.2 Green purchasing practices.

Obtain goods from vendors or producers who adhere to environmental norms.

• Environmentally friendly transportation

Using electric or low-emission cars improving efficiency, routing, and scheduling in transportation

• Storage and Design for Green Stores

Use sustainable energy and recycle water in both the store and the warehouses. Adhere to LEED criteria for store setup. Use energy-saving hardware in stores.

• Green Packaging

Encourage suppliers to use less packaging by recycling packaging materials, using decomposable packaging materials, and so on.

• Green Marketing

1) Inform consumers about environmentally friendly products

2) Involve staff in environmentally responsible activities 3) Encourage consumers to reduce their garbage.

7.4.3 Suggestions for Promoting Green Retailing

Retailers can influence the supply chain by promoting sustainable practices and consumption through social media, printing them on bill receipts and in-store signage, noting the reduction in carbon emissions/carbon footprint due to implementing sustainable practices in retail outlets, as well as through word-of-mouth marketing, sending out regular newsletters, and other methods.

The shopkeeper shall carry out his mediation duties by informing the supplier of the needs of the customers regarding the items and encouraging customers to choose environmentally friendly options.

By conducting workshops on green living, the merchant could educate customers about eco-friendly items and green habits. Employees should also be encouraged to engage in consumer awareness campaigns to help turn them into green consumers.

Therefore, green retailers should be sincere before making claims about their products' environmental friendliness. Effective communication also impacts the success of green retailing in India, and eco-labeling for the items' environmental friendliness is crucial. Retailers may be sustainable and environmentally friendly, lessen their contribution to pollution, and demonstrate their social and environmental responsibility by using green practices.

7.5 Unit End Questions

A. Descriptive Question

Short Questions

1. Explain in brief the concept of E-Retailing.
2. Enlist the various internal factors of E-Retail sales influences.
3. Give the benefits of online retail.
4. Discuss the various disadvantages of E-Retailing.
5. Investigate the underlying concept of Green Retailing.

Long Questions

1. Discuss the various contemporary issues of retail management.
2. Elaborate in detail the different elements of online retail.
3. Explain with the help the three rules of green retailing for sustainability.
4. What are Green Purchasing Practices?
5. Give suggestions for Promoting Green Retailing.

B. Multiple Choice Questions

1. Which of the following is a significant challenge faced by retailers in the era of e-commerce and digitalization?

   a. Increased foot traffic in physical stores
   b. Limited customer data and insights
   c. Low competition from online retailers
   d. Decreased importance of customer experience

2.What is the term used to describe the practice of showcasing products online, allowing customers to purchase directly from third-party websites, while the retailer handles order fulfillment?

   a. Omni-channel retailing
   b. Brick-and-mortar retailing
   c. Dropshipping
   d. Inventory management

3. Which of the following is an example of a sustainability initiative often adopted by retailers to reduce their environmental impact?

   a. Increasing single-use plastic packaging
   b. Implementing energy-efficient lighting in stores

c. Discouraging recycling programs for customers
d. Promoting excessive paper wastage in offices

4.Why are retailers increasingly focusing on creating personalized shopping experiences for their customers?

a. To reduce customer loyalty
b. To provide a one-size-fits-all approach
c. To increase customer engagement and loyalty
d. To limit the use of customer data

5. What is the term used for the practice of using physical stores to showcase products and allow customers to experience them before making a purchase online?

a. Showrooming
b. Dropshipping
c. Brick-and-mortar retailing
d. E-commerce

Answer:1. b, 2.c, 3.b, 4.c, 5.a

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