RETAIL MANAGEMENT

STUDY MATERIAL

BBA
MARKETING SPECIALISATION

VI SEMESTER

(2011 ADMISSION)

UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

THENJIPALAM, CALICUT UNIVERSITY P.O., MALAPPURAM, KERALA - 673 635

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Module 1

Retailing

The distribution of products begins with the producer and ends at the ultimate consumer. Between the producer and consumer there is a middle man – who is retailer. Who links the producer and ultimate consumers. The word 'retail' is derived from the French word retailer which means ' to cut a piece off' or to break bulk.

India has often been called a nation of shopkeepers. Presumably the reason for this is; that, a large number of retail enterprises exist in India. In 2004, there were 12 million such units of which 98% are small family businesses, utilizing only household labour. Even among retail enterprises, which employ hired workers, a majority of them use less than three workers.

Characteristics

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

- He is regarded as the last link in the chain of distribution.

- He purchases goods in large quantities from the wholesaler and sell in small quantity to the consumer.

- He deals in general products or a variety of merchandise.

- He develops personal contact with the consumer.

- He aims at providing maximum satisfaction to the consumer.

- He has a limited sphere in the market.

Functions

Retailers perform a number of functions. These are:

- 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.

Examples

Department Stores

Discount Stores

Clothing Stores

Specialty retailers

Convenience Stores

Grocery Stores

Drug Stores

Home furnishing retailers

Auto Retailers

Direct Sales Catalog and mail order companies

Some e-commerce businesses

Retailing in India

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

As of 2013, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population). As a major source of employment retailing offers a wide range of career opportunities including; store management, merchandising and owning a retail business. Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets.

As the Indian retailing is getting more and more organized various retail formats are emerging to capture the potential of the market.

- Mega Malls

- Multiplexes

- Large and small supermarkets

- Hypermarkets

- Departmental stores are a few formats which flourishing in the both big and small regional markets

As the major cities have made the present retail scenario pleasant, the future of the Indian Retailing industry lies in the rural regions. Catering to these consumers will bring tremendous business to brands from every sector. However as the market expands

companies entering India will have to be more cautious with their strategic plans. To tap into the psyche of consumers with different likes and dislikes and differing budgets a company has to be well prepared and highly flexible with their product and services.

Retailing formats

Regardless of the particular type of retailer (such as a supermarket or a department store), retailers can be categorized by (a) Ownership, (b) Store strategy mix, and (c) Non store operations.

1 Form of Ownership

A retail business like any other type of business, can be owned by a sole proprietor, partners or a corporation. A majority of retail business in India are sole proprietorships and partnerships.

a. Independent Retailer.

Generally operates one outlet and offers personalized service, a convenient location and close customer contact. Roughly 98% of all the retail businesses in India, are managed and run by independents, including barber shops, drycleaners, furniture   stores, bookshops, LPG Gas Agencies and neighborhood stores. This is due to the   fact that entry into retailing is easy and it requires low investment and little technical knowledge. This obviously results in a high degree of competition.   Most independent retailers fail because of the ease of entry, poor management skills and inadequate resources.

b. Retail Chain

It involves common ownership of multiple units. In such units, the purchasing and decision making are centralized. Chains often rely on, specialization, standardization and elaborate control- systems. Consequently chains are able to serve a large dispersed target market and maintain a well known company name. Chain stores have been successful, mainly because they have the opportunity to take advantage of "economies of scale" in buying and selling goods. They can maintain their prices, thus increasing their margins, or they can cut prices and attract greater sales volume. Unlike smaller, independent retailers with lesser financial means, they can also take advantage of such tools as computers and information technology.

c. Retail Franchising

Is a contractual arrangement between a "franchiser" (which may be a

manufacturer, wholesaler, or a service sponsor) and a "franchisee" or franchisees, which allows the latter to conduct a certain form of business under an established name and according to a specific set of rules. The franchise agreement gives the franchiser much discretion in controlling the operations of small retailers. In exchange for fees, royalties and a share of the profits, the franchiser offers assistance and very often supplies as well. Classic examples of franchising KR Bakery, Famous bakery and opus bakery.

d. Cooperatives

A retail cooperative is a group of independent retailers, that have combined their financial resources and their expertise in order to effectively control their wholesaling needs. They share purchases, storage, shopping facilities, advertising planning and other functions. The individual retailers retain their independence, but agree on broad common policies. Amul and milma are typical example of a cooperative in India.

2 Store Strategy Mix

Retailers can be classified by retail store strategy mix, which is an integrated combination of hours, location, assortment, service, advertising, and prices etc. The various categories are:

a. Convenience Store: Is generally a well situated, food oriented store with long operating house and a limited number of items. Consumers use a convenience store; for fill in items such as bread, milk, eggs, chocolates and candy etc.

b. Super markets: Is a diversified store which sells a broad range of food and non food items. A supermarket typically carries small house hold appliances, some apparel items, bakery, film developing, jams, pickles, books, audio/video CD's etc.

c. Department Stores: A department store usually sells a general line of apparel for the family, household linens, home furnishings and appliances. Large format apparel department stores include Pantaloon, Ebony and Pyramid. Others in this category are: Shoppers Stop and Westside.

d. Speciality Store: Concentrates on the sale of a single line of products or

services, such as Audio equipment, Jewellery, Beauty and Health Care, etc. Consumers are not confronted with racks of unrelated merchandise. Successful speciality stores in India include, Music World for audio needs, Tanishq for jewellery and McDonalds, Pizza Hut and Nirula's for food services.

Hyper Markets: Is a special kind of combination store which integrates an economy super market with a discount department store. A hyper market generally has an ambience which attracts the family as whole. LULU hypermarket is good example of hypermarket.

3 Non Store Retailing

In non store retailing, customers do not go to a store to buy. This type of retailing is growing very fast. Among the reasons are; the ability to buy merchandise not available in local stores, the increasing number of women workers, and the presence of unskilled retail sales persons who cannot provide information to help shoppers make buying decisions

The major types of non store retailing are:

a. In Home Retailing: Where, a sales transaction takes place in a home setting - including door-door selling. It gives the sales person an opportunity to demonstrate products in a very personal manner. He/ She has the prospect's attention and there are

fewer distractions as compared to a store setting. Examples of in home retailing include, Eureka Forbes vacuum cleaners and water filters.

b. Telesales/Telephone Retailing: This involves contact between the prospect and the retailer over the phone, for the purpose of making a sale or purchase. A large number of mobile phone service providers use this method. Other examples are private insurance companies, and credit companies etc.

c. Catalog Retailing: This is a type of non store retailing in which the retailers offers the merchandise in a catalogue, which includes ordering instructions and customer orders by mail. The basic attraction for shoppers is convenience. The advantages to the retailers include lover operating costs, lower rents, smaller sales staff and absence of shop lifting. This trend is catching up fast in India.

d. Direct Response Retailing: Here the marketers advertise these products/ services in magazines, newspapers, radio and/or television offering an address or telephone number so that consumers can write or call to place an order. It is also sometimes referred to as "Direct response advertising." The availability of credit cards and toll free numbers stimulate direct response by telephone. The goal is to induce the customer to make an immediate and direct response to the advertisement to "order now." Telebrands is a classic example of direct response retailing. Times shopping India is another example.

e. Automatic Vending: Although in a very nascent stage in India, is the ultimate in non personal, non store retailing. Products are sold directly to customers/buyers from machines. These machines dispense products which enable customers to buy after closing hours. ATM's dispensing cash at odd hours represent this form of non store retailing. Apart from all the multinational banks, a large number of Indian banks also provide ATM services, countrywide.

f. Electronic Retailing/E-Tailing: Is a retail format in which retailers communicate with customers and offer products and services for sale, over the internet. The rapid diffusion of internet access and usage, and the perceived low cost of entry has stimulated the creation of thousands of entrepreneurial electronic retailing ventures during the last 10 years or so. Flipcart, Amazon.com, E-bay and Bazee.com HDFCSec.com are some of the many e-tailors operating today.

Wheel of retailing

According to this theory new retailers enter the market as, low margin, low price, low status institutions. The cycle begins with retailers attracting customers by offering low price and low service. Over a period of time these retailers want to expand their markets and begin to stock more merchandise, provide more services, and open more convenient locations. This trading up process. increases the retailers costs and prices, creating opportunities for new low price retailers to enter the market. The evolution of the department store illustrates the "wheel of retailing" theory. In its entry phase, the department store was a low cost-low service venture. With time it moved up into the trading-up phase. It upgraded its facilities, stock selection, advertising and service. The same department store then moves into the vulnerability phase, because it becomes

vulnerable to low cost/low service formats, such as full line discount stores and category specialists
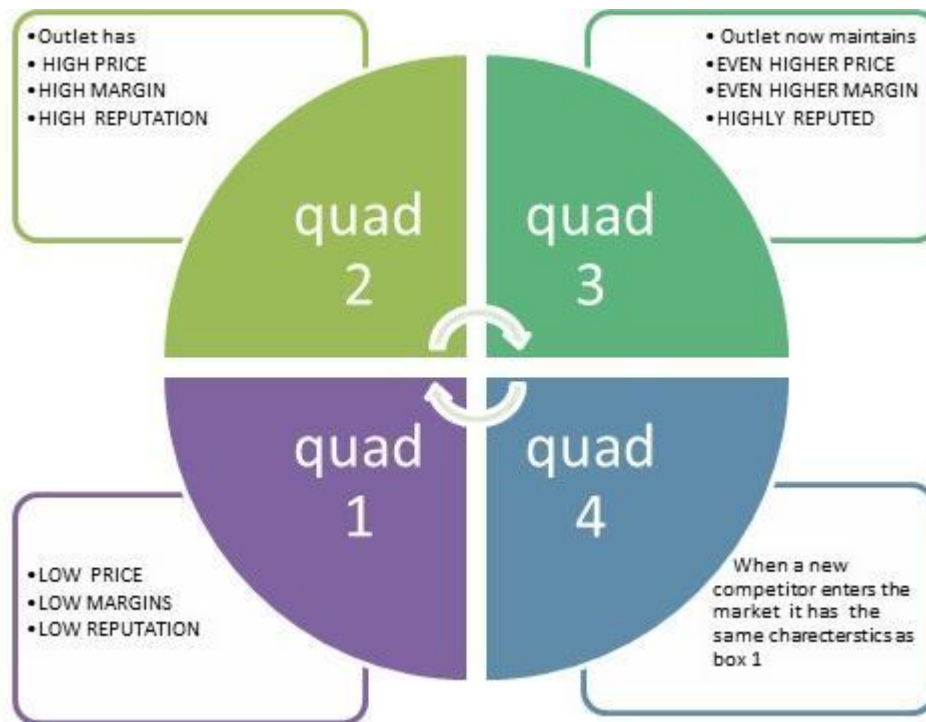
Wheel of retailing

Retailing decisions

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

(a) Target markets

(b) Merchandise management

(c) Store location

(d) Store image

(e) Store personnel

(f) Store design

(g) Promotion, and

(h) Credit and collections.

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.

Vertical marketing system

A vertical marketing system (VMS) is one in which the main members of a distribution channel—producer, wholesaler, and retailer—work together as a unified group in order to meet consumer needs. In conventional marketing systems, producers, wholesalers, and retailers are separate businesses that are all trying to maximize their profits. When the effort of one channel member to maximize profits comes at the expense of other members, conflicts can arise that reduce profits for the entire channel. To address this problem, more and more companies are forming vertical marketing systems.

Vertical marketing systems can take several forms. In a corporate VMS, one member of the distribution channel owns the other members. Although they are owned jointly, each company in the chain continues to perform a separate task. In an administered VMS, one member of the channel is large and powerful enough to coordinate the activities of the other members without an ownership stake. Finally, a contractual VMS consists of independent firms joined together by contract for their mutual benefit. One type of contractual VMS is a retailer cooperative, in which a group of retailers buy from a jointly owned wholesaler. Another type of contractual VMS is a franchise organization, in which a producer licenses a wholesaler to distribute its products.

The concept behind vertical marketing systems is similar to vertical integration. In vertical integration, a company expands its operations by assuming the activities of the next link in the chain of distribution. For example, an auto parts supplier might practice forward integration by purchasing a retail outlet to sell its products. Similarly, the auto parts supplier might practice backward integration by purchasing a steel plant to obtain the raw materials needed to manufacture its products. Vertical marketing should not be confused with horizontal marketing, in which members at the same level in a channel of distribution band together in strategic alliances or joint ventures to exploit a new marketing opportunity.

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Module 2

Strategic planning in retailing

Retail Environment

There has been a tremendous metamorphosis in the retailing environment in India over the last ten years, and the beginning of this evolution can be traced to early years of the liberalization process in the country. The retail environment definition is the overall experience that the retailer provided to the customer. It is believed that the product is no longer the most important aspect of the retail business. Instead, it is the experience that the customer has in your store that will keep them coming back and making future purchases.

Retail marketing environment consists of the external actors and forces that affect the retailers to develop and maintain successful transactions and relationships with its target customers. There are two types of marketing environment. 1. Micro environment and 2.macro environment. The micro environment consists of the actors in the retailer's immediate achievement that affect its ability to serve its market- suppliers, intermediaries, customers, competitors and public. The macro environment consists of legal ,social, economic and technological forces.

Micro

1.Suppliers – are business firms and individuals who provide resources needed by the retailer. For example a retail store must obtain various products from different suppliers so that as and when customers come and ask the product, he will be in a position to sell them on tome.

2. Intermediaries – are firms that aid the retail shop in promoting selling and distribution goods to final buyers.

3. Customers – are the end users of the product or services and they are the last link in the business process.

4. Competitors – the retailers marketing system is surrounded and affected by a host of competitors. These competitors have to be identified , monitored and outmaneuvered to captured and maintain customer loyalty.

Macro

1. Demographic

The first environmental fact of interest to retailers is population because people make up markets. Retailers are keenly interested in the size of the population, its geographic distribution, density , mobility trends, age distribution and social ethic and religious structure.

2.Political and legal

Retail marketing decisions are substantially impacted by development in political / legal environment. This environment is composed of laws, government agencies and pressure groups that influence and constrain various organizations and individuals in society.

3. Social and cultural environment.

The implication of socially responsible marketing is that the retail firms should take the lead in eliminating socially harmful products such as cigarettes and drugs etc. there are innumerable pressure groups such as consumer forums, ,activists, social workers, mass media etc.

4. Economic environment

Retail markets consist of purchasing power as well as people. Total purchasing power is a function of current income, prices, savings and credit availability. Marketers should be cognizant of major trends in the economic environment.

5. Technology environment

Information and communication technology has been utilized in retail section also. Some of them are discussed below.

   a. Online purchase.

Online shopping or e-shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. Alternative names are: e-web-store, e-shop, e-store, Internet shop, web-shop, web-store, online store, online storefront and virtual store. Mobile commerce (or m-commerce) describes purchasing from an online retailer's mobile optimized online site or app. Homeshop18, flipkart, bluedart are the leading online stores in our country.

   b. Credit Cards

Payment through credit cards has become extremely widespread and enables an easy payment process. Electronic cheque conversion, a recent development, processes a cheque electronically by transmitting transaction information to the retailer and. the customer's bank. The retailer then voids the cheque and hands it back to the customer along with a receipt.

  c. Electronic Data Inter change (EDI)

This is the computer to computer exchange of information, and business documents, from retailer to vendor and back. In addition to sales data, information regarding purchase orders, invoices and returned merchandise are transmitted from the retailer to the vendor.

  d. Quick Response (QR) System

In today's retailing environment "you are either quick or you are dead". Many vendors have developed retail specific ERP systems which help to integrate all the function from warehousing to distribution, front and back office store system and merchandising. Such an integrated supply chain, Figure helps the retailer in maintaining his stocks, receiving

supplies on time, preventing stock outs and thus reducing his costs and servicing the customer better. 23 Evolution of Retail Environment

e. Radio Frequency Identification (IFID)

It is a method of remotely storing and retrieving data using devices called RFID tags and transponders. An RFID tag is a small object, such as an adhesive sticker, that can be attached to or incorporated into a product. RFID tags contain antennas to enable them to receive and respond to radio frequency queries from an RFID transceiver.

Consumer Behaviour

In retail marketing sector, marketers are keen to know the consumers shopping behaviour, which involves an understanding of decision variables like when where, and what to shop. These decisions variables are the factors to be considered by the retailer. According to the consumer needs the retailer's evolve the best possible mix to attract the target consumer. The shopper's response to retail marketing mix has an impact on the firm's success in the long run. Individual consumers consider each element of retail marketing mix in relation to their culture, attitude, previous learning and personal experiences. The consumer is influenced intrinsically by his/her needs, motives, perceptions, and attitudes and extrinsically such as family social class the culture and economic factors which affect his behaviour. These elements would help the retailers to place their retail marketing mix with their respective target segments.

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

Factors affecting Consumer decision making process

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

1. Demographic factors

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

2. Psychological Factors

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

3. Motives

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

4.Perception

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

5. Learning

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

6.Attitude

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

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

7. Environmental Factors

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

8. Social Class

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

Middle class and higher sections of society prefer to shop for grocery items once a month from a particular shop. They usually prefer stores offering variety and range of choice. Lower sections of society usually purchase on a daily basis. They are also not particular about the shop they purchase from. Social status of an individual plays an important role even in determining the frequency of purchase. Majority of the middle class consumers prefer to buy vegetables in the morning for their freshness despite the prices being on the higher side, on the contrary the lower end sections of the society prefer to buy at dark to get benefit of low prices. 11 Understanding the Retail Customer

9. Lifestyle

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

Retail Information System

The Retail Information System (RIS) is a flexible tool that enables you to collect, aggregate and analyze data from retailing activities. The Retail Information System integrates data from the areas of Purchasing, Sales and Distribution, and Inventory Management, and also enables you to evaluate data that is particularly significant for Retail (data relating to retail price change documents or the POS interface, for example).

The Retail Information System is a component of the logistics Information system. The Logistics Information System is divided into the following information systems:

- Sales Information System (SIS)

- Purchasing Information System (PURCHIS)

- Inventory Controlling (INVCO)

- Quality Management Information System (QMIS)

- Retail Information System (RIS)

The Logistics Information System (LIS) also includes the following information systems:

- Production Information System

- Plant Maintenance Information System

Retail research

Marketing research is the function that links the consumer, customer and public to the market through information- used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions ; monitor marketing performance and improve understanding of marketing as a process. Marketing research

specifies the information required to address these issues, designs the methods for collecting information , manages and implements the data collection process, analyses and communicates the findings and their implications.

Retail marketing helps Managers to

- Undertake market situation analysis

- Work at developing strategy to build competitive advantage

- Work out specific market development programs

- Implement strategy with measureable objectives

Qualitative research methods

The qualitative research is used to find out what is in a consumer's mind. Through the qualitative research , the retailer will be able to get oriented to the range and complexity of consumer activity and concerns. Such data usually helps the retailer to know more about things (like feelings, thoughts, intensions, past behavior) which cannot be directly observed and measured.

There are mainly three types of qualitative research.

1. Exploratory research method

    - Defining the problem in detail

    - Suggesting hypotheses to be tested in subsequent research

    - Generation new product or service concepts, problems, solutions product features and so on

    - Obtaining preliminary reaction to new product concept

    - Presenting of structured questionnaires

2. Orientation method

    - Getting to know the consumer's best view and vocabulary

    - Educating the researcher to an unfamiliar environment

3. Clinical

    - Gaining insights of issues which otherwise might be impossible to pursue with structured research methods.

Quantitative research through survey

The survey, in its many forms is one of the most widely used and well known method for acquiring marketing information by communicating with a group of respondents. Information can be obtained by asking questions or observing the behavior of consumers. Qualitative survey studies the target demographic groups by mapping the current market trends according to the need based behaviour of the consumers and thud determine the right profile of the target market. The survey can be used to obtain information from consumers, retailers, industrial users etc. survey can be done by using questionnaires or schedules.

Observation method

Observation is another method were the relevant behavior of customers are observed. , but it is limited to providing information on current behavior only. The following are the various observation methods

- Direct observation
- Contrive observation
- Content analysis
- Humanistic inquiry
- Behaviour recording devices

Retail audits

Retail audit helps to ascertain the sales personnel's efficiency at the point of sale or to find out the average time take on a normal day or during week end.

- Retail process audit – such retail process audits helps to examine a store's efficiency in terms of its operating processes or reduce the cycle time. For instance, with the help of retail process audit the retailer can work out ways to improve customer service deliveries and improve performance.
- Retail store audit – auditors from well known research firms carry out retail store audits by counting the inventory on hand and recording deliveries to the store since the last visit. The sales for a particular period can be obtained by computing.

Purchase Intercept Technique

This technique uses the advantage of observation and the significant information gained through self reporting.

It consists of the following steps:

Observing customer in-store shopping behaviour.

Recording pertinent shopping behaviour information.

Interviewing customers immediately about their purchase behaviour.

Experimentation Method

This technique uses cause-and-effect relationship between two or more factors. Experiments are done normally under controlled conditions where the factors understudy are manipulated keeping a set of factors constant.

For Example: Imagine a retailer who has increased his price by Rs10. To see the effect of this he may conduct a survey to determine the effect it may have on sales, profits soon where factors like display space, store layout, location, advertising displays are kept constant.

Parameters of retail research

Demographics: This defines the sex, age and the lifestyle of the customers in focus. The relevance of this criteria in retailing is that from the store point of view its location, merchandise will be detennined by the above factors.

Competitive analysis: For a retailer of any category s), it is important that he has a clear understanding of the competitiveness in his related and complementing categories. This will help him to placate himself strategically with respect to his contemporaries by building on his capabilities.

Location of retails

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

Importance of location decision in retailing

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

1) Location choice is a major cost factor.

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

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

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

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

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

Influencing factors of location

The following factors play a significant role in the location choice of a particular city:

Size of the City's Trading Area

A city's trading area is the area from which customers come to the city for shopping. A city's trading area could include its suburbs as well as its neighboring cities and towns.

The Population of the Trading Area

High growth in the population of an area can also increase the retail potential.

The Purchasing Power of the. Customers

Cities with a large population of affluent and upper middle class customers can be an attractive location for stores selling high priced products such as designer clothes or even high value cars which have limited retail outlets.

Distribution Networks

A city may become specialized in certain lines of trade and attract customers from other city.

Number, Size and Quality of Competition

It is important to undertake a detailed study about the number of retail players across segments, their sales and quality of services before selecting a city.

Cost of Land, Rent and Other Retail Development Costs

This is one of the key factors affecting the attractiveness of a city as a prospective retail location. If the cost of rental or the cost of land is very high it would be difficult for a retailer to break even especially if he is dealing in products with lower margins.

Nature of retail locations

The types of retail locations can be classified as follows:

Isolated Stores

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

Unplanned Markets

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

Planned Markets

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

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Module 3

Retail operations management

Resource allocation

Resource allocation is used to assign the available resources in an economic way. It is part of resource management. In project management, resource allocation is the scheduling of activities and the resources required by those activities while taking into consideration both the resource availability and the project time.

Effective retail resource management entails having enough resources to leave the business operating efficiently, but on the other hand, also not having too many so that resources go unused.

Plan Resource Allocation

As a retail manager or storeowner, your first goal is to maximize productivity. In a retail environment, you deal with a range of employees, including part-time and seasonal workers. The hours are long, with busy spells and lulls throughout the day. Plan how and when you will use resources to get the most from them. For example, if your store is busiest from Thursday to Sunday with peak trading taking place during the late afternoon, schedule additional part-time employees for these days and times. If you schedule your workforce evenly across the trading week, there will be times when some have nothing to do. Scheduling additional employees for peak times improves customer service delivery and stops your workforce from feeling harried, overworked, and disgruntled.

Evaluate the Effectiveness of Resource Allocation Plans

Evaluating existing and past resource allocation plans is as important as formulating these plans in the first place. Periodically, review all of your resource allocation plans, and make changes if you need to do so. For example, review departmental budgets, reducing and increasing the money available for staffing and equipment in specific areas if required. If your sales patterns change, adjust your staffing schedules. Stay informed about changes in the business, and adjust your planning to meet new requirements as they arise.

Human Resources

In a retail environment, your employees are one of your most important resources. Develop this resource through staff training and the implementation of individual development plans. Focus on product and business knowledge, ensure that everyone in the store is aware of company policies and procedures, teach people new skills, and allow them to expand the knowledge they have. Do not focus on developing each employee's job role only. Train people in all aspects of the business to allow them to work in different departments if needed and to find their niches in the company.

Time management

Time is a finite resource that is easy to waste or underutilize. Learn how to manage your time effectively to maximize your own productivity as well as that of your employees. Delegate repetitive tasks, prioritize your daily workload, and set aside time for meetings and emails at specific times of the day. Include time management in employees' individual development plans and annual assessments. If necessary, provide time management training for managers and supervisors.

Retail Budgeting

Budgeting for retail involves balancing incoming funds with outgoing expenditures. As the owner of a retail establishment, you will likely get paid for customer purchases right away by cash, check or credit card. But you will also probably have negotiated payment terms with your vendors allowing you to delay payments for inventory based on billing arrangements, such as 15 or 30 days. A retail budget should coordinate the rhythm of paying for inventory purchases and overhead costs, such as rent, as well as other essential expenditures, such as payroll and taxes, and balancing these payments with incoming revenue.

Step 1

Create a cash flow projection for your retail store. Use a spreadsheet format and label the columns according to the months of the year, using the far left corner to label the spreadsheet's horizontal lines. Label the lines on the top half of the sheet according to the different types of revenue your business takes in, such as sales from clothing, accessories and books. Label the lines on the bottom half of the spreadsheet according to the different categories of expenses your business incurs, separating them into fixed expenses, such as rent and equipment, and variable expenses, such as inventory, which fluctuate relative to your sales volume.

Step 2

Fill in the fields on your spreadsheet with the amounts that you expect to earn and spend in each category during each month of the upcoming year. Base your figures on sales patterns and seasonal fluctuations from previous years, and adjust them relative to new developments in your company, such as whether you have added retail space or launched an advertising campaign. Add the revenue streams on the top half of the page, as well as the outgoing expenses on the bottom half of the page. Subtract the gross expenses for each month from the gross revenue for that month. If there is a surplus or deficit for a particular month, carry over that amount to the revenue section of the following month.

Step 3

Review your cash flow projection to determine when you expect your business to come up short of being able to meet its expenses. Develop strategies for making it through these lean periods, such as having credit lines available or negotiating with vendors for longer payment terms. Look for expenses that you can cut, but always be scrupulous about having enough inventory on hand to make it through periods when customer demand is strong, even if you have to borrow money to do so.

Working Capital

Working capital refers to the cash a business requires for day-to-day operations, or, more specifically, for financing the conversion of raw materials into finished goods, which the company sells for payment. Among the most important items of working capital are levels of inventory, accounts receivable and accounts payable.

Retail store building, format, layout

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

Role of atmospherics (physical components) in retail business

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

Exterior atmospherics

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

- store entrance
- main board marquee windows
- Lightings
- Height of the building
- Size of the building
- Visibility
- Sign board
- Uniqueness
- Surrounding stores
- Parking facilities, etc.

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

Interior atmospherics

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

- Flooring
- Music
- Interior design
- Level of cleanliness
- Lightings

Retail store layout

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

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

1. Grid

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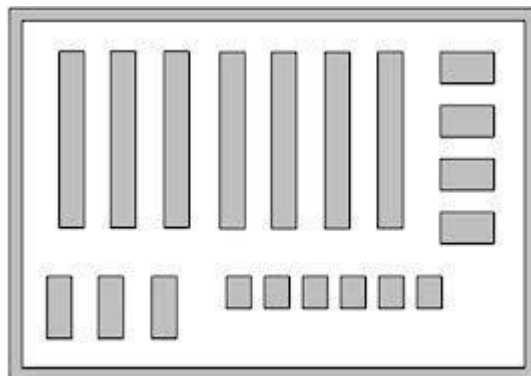
Grid layout

2. Free form / boutique layout

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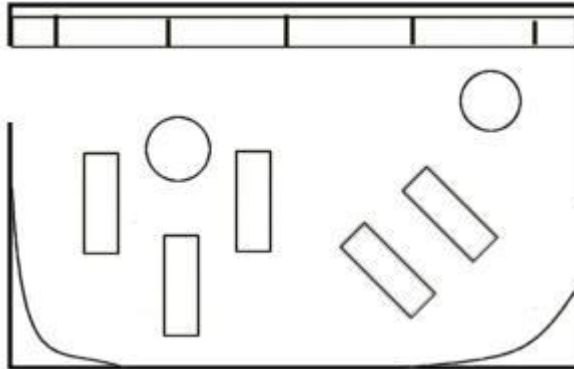
Free form layout

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3. Race track layout / loop layout

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

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.

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.

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Module 4

Product assortment

Definition

"The collection of goods or services that   a business provides to consumers".   The main characteristics of a company's product assortment are: (1) its length or number of products, (2) its breadth or number of product lines, (3) its depth or number of product varieties within a product line and (4) its consistency or how products relate to each other in a retail environment.

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.

Merchandising Forecasting

Merchandising   is   the   activity   of   promoting   the   sale   of   goods   at   retail. Merchandising activities may   include   display techniques, free samples,   on-the-spot demonstration,   pricing, shelf   talkers,   special offers,   and   other point-of-sale methods.   According   to American   Marketing   Association,   merchandising encompasses "planning involved in marketing the right merchandise or service at the right place, at the right time, in the right quantities, and at the right price."

While developing a sales forecast, the retailer must be able to predict how well product categories will sell over a period of time. Challenges of retailers in sales forecasting. There are mainly two types of challenges on sales forecast.

1. Internal factors.

    - Product changes, style , quality

    - Service change, type , quality

    - Shortages , production capacity

    - Promotional efforts changes

    - Sales motivation plans

    - Price changes

    - Shortages, inventory

    - Shortages / working capital

    - Distribution methods used

    - Credit policy changes

    - Labour problems

2. External factors

    - Seasons

    - Holidays

    - Special events

    - Competition, direct

    - Competition, indirect

    - External labour events

    - Productivity changes

    - Family formations

    - Births and deaths

    - Fashions or style

    - Population changes

    - Customer earnings

    - Political events

    - Whether

Buying and handling merchandise

This is an integrated, systematic way of acquiring and processing merchandise. It consists of ten steps:

1. setting up a buying organization;

2. outlining merchandise plans;

3. gathering data on consumer demand;

4. determining merchandise sources;

5. evaluating merchandise;

6. negotiating the purchase;

7. concluding the purchase;

8. handling merchandise;

9. reordering merchandise; and

10. re-evaluating regularly.

Inventory management

Inventory is a term used to describe unsold goods held for sale or raw materials awaiting manufacture. These items may be on the shelves of a store, in the backroom or in a warehouse miles away from the point of sale. In the case of manufacturing , they are typically kept at the factory. Any goods needed to keep things running beyond the next few hours are considered inventory.

Inventory management simply means the methods you use to organize, store and replace inventory, to keep an adequate supply of goods while minimizing costs. Each location where goods are kept will require different methods of inventory management. Inventory control is the technique of maintaining the size of the inventory at some desired level keeping in view the best economic interest of an organization.

Types of inventory

1. Based on stage

- Raw materials

- Working in progress

- Finished products

2. Based on purpose

- Movement

- Buffer

- Anticipation

- Decoupling

- Cycle

3. Based on material

- Components

- Spare parts

- Consumables

Purpose of inventory management

1. Stocking the right product

2. Able to locate the products

3. Maintain optimum level of inventory

Effective inventory management should

- Ensure a continuous supply of raw materials to facilitate uninterrupted production.

- Maintain sufficient stocks of raw materials in periods of short supply and anticipate price changes

- Maintain sufficient finished goods inventory for smooth sales operations, and efficient customer service

- Minimize the carrying cost and time

- Control investment in inventories and keep it at an optimum level.

Retail Pricing

Price is the monetary value assigned by the seller to something purchased, sold or offered for sale and on transaction by a buyer , as their willingness to pay for the benefits the product and channel service delivers.

External influences on retail pricing strategy.

1) Customers

2) Suppliers

3) Competitors

4) Government

Retail pricing Objectives

1. Profit-Objective

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

2. Market Share-Objective

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

3. Competitor-Oriented Objective

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

4. Buyer-Oriented Objective

Another pricing objective adopted by retailer may be buyer-oriented. The aim of such pricing is to maintain socially acceptable prices and to be fair to customers. The prices of goods of super bazaars Margin free (Kerala) and Rythu (Andhra Pradesh) can be considered buyer-oriented as these retail chains practice the professed pricing objectives of bypassing intermediaries and sharing savings with the ultimate consumers. Most of the five star hotels stress on the kind of ambience and services extended by their hotel, as these are of prime concern to their customers. Tanishq, the jewellery retail chain, 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.

5. Government-Oriented Objectives

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

6. Product-Oriented Objectives

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

Retail pricing approaches

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

Discount Orientation:

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

At-the-market Orientation:

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

Upscale Orientation:

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

Retail pricing strategies

Every Day Low Pricing (EDLP) :

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.

High Low Pricing :

In High/Low pricing, retailers offer prices that are sometimes above their competition's ELDP, but they use advertisements to promote frequent sales. Nowadays, retailers also use sales to respond to increased competition and a more value-conscious customer.

Leader Pricing :

Retailers sometimes price particular fast moving products at a lower price to attract customers to the store. For example: A grocery retailer can sell eggs cheaper than other competing stores so that customers consider him while purchasing foodstuff Since the customer is also likely to buy milk, bread, flour etc along with eggs, these products are priced slightly higher. So, the profit foregone on eggs is more than recovered on other items of groceries.

Skimming Pricing :

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.

Penetration Pricing :

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 snare or sales volume, rather than short term profit maximization. Price Penetration is most appropriate when

Price Lining :

Price lining refers to the offering of merchandise at a number of specific but, predetermined prices. Once set, the prices may be held constant over a period of time, and changes in market conditions are adapted to by changing the quality of the merchandise. A limited number of predetermined price points are set at which merchandise may be offered for sale-e.g., Rs. 79.50, Rs.109.50, Rs.149.50.

Psychological Pricing :

Psychological pricing is a method of setting prices intended to have special appeal to consumers. This can be conducted in several ways to name a

Prestige Pricing

Reference Pricing

Traditional Pricing

Odd-Even Pricing

Multiple Unit Pricing :

Retailers use multiple unit pricing to encourage additional sales and to increase profits. The gross margin that is sacrificed in a multiple unit sale is more than off-set by its, savings that occur from reduced selling' and handling expenses.

Bundle Pricing :

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.

Pre-emptive Pricing :

Pre-emptive pricing is a strategy_ which. Involves setting low prices in order to discourage or deter potential new entrants, to the retailer's market, and is especially suited to markets in which the retailer does not enjoy any market privilege and entry to the market is relatively straightforward.

Extinction Pricing :

Extinction pricing has the overall objective of eliminating competition, and involves setting very low prices in the short term in order to ' under-cut' competition, or alternatively keep away potential new entrants. The extinction price may, in the short term, be set at a level lower even than the suppliers own cost of production, but once competition has been extinguished; prices are raised to -profitable levels.

Perceived-value Pricing :

A method of pricing in which the seller attempts to set price at the level that the intended buyers value the product. It is also called value-in-use pricing or value-oriented pricing. If the perceived value is high the retailer can charge a premium price for the product. The example of well-established traditional independent retailers in small townships can be cited in this respect. They charge a premium price on their offerings because of quality and variety offered to their customers.

Demand-Oriented Pricing :

A method of pricing in which the seller attempts to set price at the level that the intended buyers are willing to pay. It is also called value-in-use pricing or value-oriented pricing.

Fixed and variable Pricing :

Most firms use a fixed price policy i.e. they examine the situation, determine an appropriate price, and leave the price fixed at that amount until the situation changes, at which point they go through the process again. The alternative has been variable pricing, a form of first degree price discrimination, characterized by individual bargaining and negotiation, and typically, used for highly differentiated - items, like real estate,

unbranded garments, fresh vegetables and fruits etc, S.M street in Kozhikode, Kerala, there are some shops in markets like Sarojini Nagar and Lalpat Nagar in Delhi which specifically advertise that they do not bargain and have a "Fixed Price"

Labeling in retail

Labeling is the display of information about a product on its container, packaging, or the product itself. The primary purpose of a product label is to identify type, size, brand, product line, manufacturer and other product-specific information in order to inform the consumer and encourage a purchase.

Contents on labels

- Product name
- Ingredient statement
- Business name and address
- Net contents statement
- Price
- Expiry date
- Manufacturing date
- Nutrition facts panel
- Safe handling instructions

Points to be noted

- Use on front of the package (or principal display panel).
- Use standard of identity names, e.g. Cheddar Cheese
- If no standard of identity, then use common or usual name or a name that is truthful and not misleading.
- The name of the product must be at least 1/2 the type size of the most prominent printed matter on the package in bold type, and generally parallel to the base of the product, Ingredients Statement:
- Listed in descending order of predominance by weight (from most to least).
- All the sub-ingredients for food with multiple ingredients have to be included.
- Do not use collective terms such as herbs, secret ingredients, seasonings etc.
- All certified colors must be listed by their specific names.
- Oils and fats should state whether or not they are hydrogenated and include the source, i.e. "soybean oil" not "vegetable oil."
- Water that is added as an ingredient (not for reconstitution purposes) must be listed in ingredients.
- Type size depends on the square inches of the principal display panel (not just the label, but the whole front of the package).
- Must be conspicuous and easy to read.
- Must mention Legal name of manufacturer, packer or distributor City, state and zip.
- If the business name and address are not in the local telephone directory, include the street address

In the case of Bulk Foods:

- Must contain all labeling information on a placard on or near container.

- Consumer should be provided with a means of marking the containers if products are similar in nature.

- Retailers may repack items that are received in bulk containers and provide labeling information using a counter card, placard or sign that contains all the features of the label.

In the case of Bakery:

- packaged in clear plastic bags

- products made "from scratch," not baked off

- sold at service counter in the bakery

- Full ingredient information is available to the customer

Packaging

Packaging is the technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells.

The types of packaging materials include; metal, plastic, brick carton, cardboard and glass. Different products will require varying packaging material and you need to know what packaging material is suited to which goods or products.

Plastic

This is the most common packaging material and, at the same time, one of the most difficult to dispose of. The factors common to all plastics are that they are light, strong cheap to manufacture. It is for these reasons that they are used so much, as an alternative to cardboard glass packaging materials. Almost 10% of our rubbish consists of different types of plastic. They are a problem in landfills as they are bulky, they contaminate degrade slowly.

Metal

Appropriate for packaging foods (canned foods). For drinks, such as soft drinks beers, aluminum is often used. Tin plate is a solid, heavy steel covered with tin to protect it against rust. It is used to package canned foods. It can be separated by magnets should be recycled in all cases. Aluminum is attractive, light strong at the same time, but requires a lot of raw materials energy to make it. For this reason it must be recycled. The majority of cans of soft drinks, lids, aluminum foil, etc. are made aluminium.

Brick carton

A light, strong air-tight packaging material. Ideal for transporting storage. Its complex composition makes it difficult to recycle. It is becoming the main packaging material used for basic foodstuffs. Complex packaging material, made up of several layers of plastic, paper aluminium. It is also difficult to recycle. It is used mainly to keep drinks such as milk, juice, etc.

Cardboard

Appropriate for packaging materials wrapping, preferable to "white cork". Its use may prove to be unnecessary when used for products which are already packaged sufficiently. In all cases, this packaging material is easy to recycle reuse. It is used in the form of boxes, sheets corrugated cardboard.

Glass

An ideal material for foods, especially liquids. It is inalterable, strong easy to recycle. It is the traditional vessel in the home (jars, glasses, jugs, etc.). Its weight shape may involve some difficulties for transport storage.

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Module 5

Retail promotion

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

Promotional Objectives

- Increase sales

- Stimulate impulse and reminder buying

- Raise customer traffic

- Get leads for sales personnel

- Present and reinforce the retailer image

- Inform customers about goods and services

- Popularize new stores and Web sites

- Capitalize on manufacturer support

- Enhance customer relations

- Maintain customer loyalty

- Have consumers pass along positive information to friends and others

Retail promotion mix

- Public relation
- Advertisement
- Personal selling
- Sales promotion
- Publicity
- Public relation

	Impersonal	personal
paid	Advertising, sales promotion, store atmosphere, web site, SEM	Personal selling, e-mail marketing
unpaid	publicity, SEM	Word of mouth

1. Public Relations

Public Relations - Any communication that fosters a favorable image for the retailer among its publics

- it can be non personal or personal
- it can be Paid or
- Sponsor-controlled or not
- Publicity – 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.

Advantages

- Image can be presented or enhanced
- More credible source
- No costs for message's time or space
- Mass audience addressed
- Carryover effects possible
- People pay more attention than to clearly identified ads

Disadvantages

- Some retailers do not believe in spending on image-related communication
- Little control over publicity message
- More suitable for short run
- Costs for PR staff, planning activities, and events

2. Advertising

It is a Paid, non personal communication transmitted through out-of-store mass media by an identified sponsor.

- Key aspects

  - Paid form
  - Non personal presentation
  - Out-of-store mass media
  - Identified sponsor

Advantages

- Attracts a large audience
- Gains pass along readership (for print)
- Low cost per contact
- Many alternatives available
- Control over message content; message can be standardized
- Message study possible
- Editorial content surrounds ad
- Self-service operations possible

Disadvantages

- Standardized messages lack flexibility
- Some media require large investments
- Geographic flexibility limited
- Some media require long lead time
- Some media have high throwaway rate
- Some media limit the ability to provide detailed information

3. Personal Selling

It is an Oral communication with one or more prospective customers for the purpose of making a sale.

Advantages

- Message can be adapted
- Many ways to meet customer needs
- High attention span
- Less waste
- Better response
- Immediate feedback

Disadvantages

- Limited number of customers handled at one time
- High costs
- Doesn't get customer in store
- Self-service discouraged
- Negative attitudes toward salespeople (aggressive, unhelpful)

4. Sales Promotion

Encompasses the paid communication activities other than advertising, public relations, and personal selling that stimulate consumer purchases and dealer effectiveness

Advantages

- Eye-catching appeal
- Distinctive themes and tools
- Additional value for customer
- Draws customer traffic
- Maintains customer loyalty
- Increases impulse purchases
- Fun for customers

Disadvantages

- Difficult to terminate
- Possible damage to retailer's image
- More stress on frivolous selling points
- Short-term effects only
- Used as a supplement

Retail store image

A good store design represents value and a positive store image. An aesthetic presentation of merchandise and creative props entice people to come in and purchase your products. In addition, the image of your store provides customers the opportunity to have a delightful shopping experience. Having a poor store image will cause you to have fewer walk-in customers; remember that fewer costumers result in less income.

Creating and maintaining the proper image, the way a firm is perceived by its customers, is an essential aspect of the retail strategy mix. The components of a firm's image are its target-market characteristics, retail positioning, store location, merchandise assortment, price levels, physical facilities(exterior and interior), customer services, community service, mass advertising and publicity, personal selling, and sales promotions.

The store exterior is comprised of the storefront, marquee, entrances, display windows, building height and size, visibility, uniqueness, surrounding stores and area, parking, and congestion. It sets a mood or tone before a prospective customer even enters a store. The general interior of a store encompasses its flooring, colors, lighting, scents and sounds, fixtures, wall textures, temperature, width of aisles, dressing facilities, vertical transportation, dead areas, personnel, self-service, merchandise, price displays, cash register placement, technology/modernization, and cleanliness. The interior of an upscale retailer is far different from that of a discounter -- portraying the image desired, as well as the costs of doing business.

In laying out a store's interior, six steps are followed. One, floor space is allocated among selling, merchandise, personnel, and customers; and adequate space is provided for each, based on a firm's overall strategy. Two, product groupings are set, based on function, purchase motivation, market segment, and/or storability. Three, traffic flows are planned, using a straight or curving pattern. Four, space per product category is computed via a model stock approach or sales-productivity ratio. Five, departments are located. Six, individual products are arranged within departments.

The behavior of retailers and their service quality are the two main important components to increase the images of retailers.

Customer Relationship Management (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.

Steps involved in CRM process

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

1. Gathering customer data and constructing a customer database.

1. Analysing customer data and identifying target customers

2. Develop CRM programmes for the different customer segments

3. Effective implementation of CRM programmes

1. 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.

2. Analysing 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.

3. 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

4. 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.

Retail control systems

Financial control.

Financial controlling is very important in all business, especially in retail sector. The responsibility of controlling finance is upon retail finance controller. His duties and responsibilities are mentioned below.

• Review financial statements to analyze actual vs. plan metrics and performance, impacts and operational issues
• Analyze performance of retail operation
• Develop and Track performance of the business sales forecasts
• Develop, track and analyze trends for key performance indicators
• Participate in team meetings as it relates to goals and objectives
• Achieve project deadlines, goals and overall expectations
• Review management reports to identify business impacting trends, including:
a) Scorecards for three sales channels of trade
b) Delivered volume reports
c) Profit margin reports
d) Expense reports
e) Financial Reports
Merchandise control

Merchandising control is the process of collecting and evaluating data on all aspects of each retail merchandise category, including sales, costs, shrinkage, profits, and turnover. Control is achieved through the maintenance of an inventory book where all data are evaluated.

Retail Merchandising Analyst / controller:

A retail merchandising analyst helps maximize the profit potential for a retail store or retail chain. By analyzing inventory risks and opportunities, and implementing inventory

allocation strategies, the merchandising analyst improves cash flow and increases profit margins.

Key Responsibilities of a Merchandising Analyst:

A merchandising analyst streamlines the flow of merchandise through a retail outlet by providing the organization with analysis, allocation, and guidance.

Trend Analysis Responsibilities of a Merchandising Analyst:

Analysis responsibilities include monitoring store category sales, supervising physical inventory, identifying trends, and monitoring the timing and scope of seasonal changes,

Inventory Allocation Responsibilities of a Merchandising Analyst:

Allocation responsibilities include maintaining desired inventory levels and assortments, scheduling deliveries, and overseeing shipping/receiving and warehousing of merchandise. Working directly with suppliers, merchandising analysts develop supply strategies that will minimize stockouts while maximizing inventory turns.

Retail Operations control

It is an operations manager's or controller's daily job depends a lot on the sector in which he or she works, but in most cases there are four main tasks: supervising staff, project management, working with clients, and solving problems. Most people in this profession work in storefront or retail settings managing shops and the flow of commerce from day to day and week to week. Some managers work as consultants, which means that they take clients on for a shorter amount of time and focus on advising owners and staff on ways to become more efficient. The things that make up a "typical" workday can vary a lot depending on whether the setting is a small shop in the mall or a huge chain store, but in terms of broad work categories a lot is the same across the board.

Human resource management in Retail

Retailing is very different from other industries. As in any other services industry in retail human aspect is of prime importance. With technological advances there have been changes in retail environment. However this has only increased the importance of human resources

Any typical retail organisation would commonly need the following human resource functions:

• Job analysis and job design

• Recruitment and selection of retail employees

• Training and development

• Performance management

• Compensation and benefits

• Labour relations

• Managerial relations

* * * * * * * * * * * * * * *

Retail Management

1. The word "retail" has been derived from which word?
      a. Latine
      b. French
      c. Greek
      d. Persian
Ans. b

2. Who is the last link in the chain connecting the producer and customer ?
      a. wholesaler
      b. agent
      c. retailer
      d. storekeeper
Ans. c

3. Internet marketing and telemarketing are the recent trends in ……….. business
      a. retail
      b. wholesale
      c. conventional
      d. manufacturing
Ans. a

4. In the distribution channel … has the direct touch with consumers.
      a. producer
      b .wholesaler
      c. agent
      d .retailers
Ans. d

5.MRP stands for.
      a. minimum retail price
      b. maximum retail price
      c. minimum rate of profit
      d .maximum rate of profit
Ans. b

6. Multiple shops are also known as –
      a. self service stores
      b. chain stores
      c. shopping by post
      d. departmental stores
Ans. b

7. Door to door selling is carried out by
      a. hawkers and peddlers
      b. cheap jacks
      c. second shop
      d. retailers
Ans. a

8. There is no shop assistants in a
      a. super bazaar
      b. departmental store
      c. multiple shop
      d. second shop
Ans. a

9. No middle men is involved in –
  a. wholesale trade
  b. retail trade
  c. direct marketing
  d. indirect marketing
Ans. c

10. Shopping malls, super markets and hypermarkets come under which type of marketing?
  a. wholesale
  b. retail
  c. direct marketing
  d. agent service
Ans. b

11. which of the following statement about retail marketing is true
  a. sells products to other businesses
  b. sells products to a company that resells them
  c. sells products to final consumers
  d. sells products for one's own use
Ans. c

12. A multi channel retailer sells merchandise
  a. over telephone
  b. through retail stores
  c. over internet
  d. over more than one channel;
Ans. d

13. E-retailing refers to
  a. sales of electronic items
  b. catalog shopping
  c. computerized store
  d. retailing and shopping through internet
 Ans. d

14. What is the full form of VAT?
  a. value added tax
  b. very important additional tax
  c. value additional tax
  d. value added theory
Ans. a

15. Mail order retailing is the same as:
  a. Direct selling
  b. In Home retailing
  c. E-tailing
  d. Catalog retailing
Ans. d

16. All of the following are types of non store retailing, except
  a. Catalog retailing
  b. Vending Machines
  c. Chain store
  d. Direct Mail
Ans. c

17. Person to person interaction between a retailer and a prospective customer is:
   a. Direct marketing
   b. Automatic selling
   c. Direct selling
   d. Buying service

Ans. C

18. Independent retailers who use a central buying organization and joint promotional efforts are called a
   a. merchandising conglomerate
   b. corporate chain store
   c. retailer cooperative
   d. voluntary chain

Ans. c

19. A retail firm owned by its customers in which members contribute money to open their own store, vote on its policies, elect a group to manage it, and receive dividends is called a
   a. corporate chain store.
   b. merchandising conglomerate
   c. consumer cooperative
   d. voluntary chain

Ans.c

20. The oldest and most heavily trafficked city area is called
   a. regional shopping center
   b. prime location
   c. urban district
   d. Central business district

Ans. d

21. Giant retailers called ___ concentrate on one product category such as toys or home improvement
   a. Category killers
   b. Variety stores
   c. supercentres
   d. box stores

Ans. a

22. Retailers such as Benetton, The Body Shop, and Marks and Spencer carry mostly own-brand merchandise. These are called ___ brands
   a. creative label
   b. private label
   c. house
   d. retail label

Ans. b

23. A___ fee is the charge many supermarkets impose for accepting a new brand to cover the cost of listing and stocking it.
   a. inventory
   b. slotting
   c. initiation
   d. stocking

Ans. b

24. Which of the following is *not* one of the four major decisions that must be made with regard to market logistics?

      a. How should orders be handled?

      b. Where should stock be located?

      c. How much stock should be held?

      d. How should stock be financed?

Ans. d

25. Which statement is not a benefit of formulating a retail strategy?

      a. A retailer is forced to study the legal, economic, and competitive market

      b. A retailer is shown how it can differentiate itself from competitors.

      c. Sales maximization is stressed.

      d. Crises are anticipated and often avoided.

Ans. c

26. A retailer's commitment to a type of business and to a distinctive role in the marketplace is its:

      a.. objectives

      b. organizational mission

      c. retailing concept

      d. image

Ans. b

27. Which form of organization is subject to double taxation?

      a. sole proprietorship

      b. partnership

      c. corporation

      d. franchise

Ans. c

28. When retailers identify customer segments and develop unique strategies to meet the desires of these segments, they are using:

      a. mass merchandising

      b. niche retailing

      c. bifurcated retailing

      d. middle market retailing

Ans. b

29. Those aspects of business that a retailer can directly affect, such as store hours and merchandise lines carried, are referred to as:

      a. controllable variables

      b. demographic statistics

      c. lifestyle measures

      d. uncontrollable variables

Ans. a

30. Which is not considered one of the elements of "managing a business" in a retail strategy?

      a. the retail organization

      b. human resource management

      c. operations management

      d. merchandise management and pricing

Ans. d

31. A systematic procedure for analyzing the performance of a retailer is called:
        a. control
        b. feedback
        c. strategic planning
        d. retail audit

Ans. d

32. During each stage in the development of a retail strategy, retail managers should:
        a. consider only controllable variables
        b. refrain from "fine tuning" the strategy
        c. look for both positive and negative feedback
        d. consider no problems with the government to be a form of negative feedback

Ans. c

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