LECTURE NOTES

ON

RETAIL MANAGEMENT

2018 – 2019

II MBA I Semester (JNTUA-R17)

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Department of Management Studies
# Retail Management

**III SEM MBA**

**CHADALAWADA RAMANAMMA ENGINEERING COLLEGE, TIRUPATI**  
**DEPARTMENT OF MANAGEMENT STUDIES**

**M.B.A. II year First Semester, Academic Year: 2018-19**

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### Unit - IV  
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### Unit - V  
Recent Trends in Retailing

Ethics in Retailing – CRM in Retailing – Research in Retailing - Common woes of Retailing – consumerism in Retailing
References:

1. Michael Havy, Boston, Aweitz and Ajay Pandit, Retail Management, Tata McGraw Hill, Sixth
5. Chet an Bajaj, Rajnish Tow and Nidhi V. Srivatsava, Retail Management, Oxford University
8. Ramakrishna and Y.R.Srinivasan, Indian Retailing Text and Cases, Oxford University Press,
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# LESSON PLAN

**Subject:** RETAIL MANAGEMENT  
**Sub Code:** 17CE00314  
**Class:** II MBA  
**Semester:** I  
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**Name of the faculty:** B. PRATAP

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UNIT – I

INTRODUCTION TO RETAILING

Introduction

Retailing comes at the end of the marketing distributive channel. The word ‘retail has been derived from the French word “retaillier” and means ‘to cut a piece’ or ‘to break bulk’. It covers all the activities involved in the sale of product and services. Retailing is a high-intensity competition industry and second largest globally. The reason for its popularity lies in its ability to provide easier access to a variety of products, freedom of choice, and many services to consumers. The size of an average retail store varies across countries depending largely on the level of a particular country’s economic development. The largest retail store in the world is Wal-Mart of USA.

Retailing is the world’s largest private sector contributing to 8% of the GDP and it employs one sixth of the labor force. The estimated retail trade is expected to be 7 trillion US$. Many countries have developed only due to retailing and presently we see there is a vast change in the retail industry. As far as India is concerned it contributes to 14% of our GDP and it is the second largest sector next to agriculture which provides employment to more number of persons.

Definition

According to Phillip Kotler: "Retailing includes all the activities involved in selling goods or services to the final consumers for personal and non-business use."

Importance of Retail Marketing

Retailing has mirrored the increasing prominence of the retail industry. Retailing provides necessary service and a positive contribution to the economy. The importance of retailing is given below:

1. Retailing shapes the lifestyle of the people: Retailing is an integral part of the modern society. It shapes the way of life. In the past, trading of goods was a part of a traditional society. But in recent times, buying and selling of goods have become a brand dominated activity.

2. Retailing contributes to the economy: The importance of retail sector is reflected in its contribution to the growth of an economy. Its contribution is much more visible in the modern era than it was in the past. As the retail sector is linked to the significant portion of the economy, its contribution to GDP is substantial. Retailing is the driving force of the economy. It aims at promoting its sustained growth.

3. Retailing dominates the supply chain: Goods and service flow from manufacturers or service providers to consumers. Where consumers are large in number and are widely
Retail Management

distributed, the role of retailers becomes crucial. Retailers serve as a connecting link between the wholesalers and consumers. Due to its dominant position in the supply chain, the retail structure has steadily developed over the years. Besides, the annual turnovers achieved by the retailers can be compared with the largest companies in other service industries.

4. Retailing is interdisciplinary: The pace of growth within retailing is accelerating. Retailing has emerged from a number of interrelated disciplines such as geography, economics, management and marketing.

5. Retailing is acknowledged as a subject area in its own right: Potter has described the academic study of retailing as the “Cinderella of the social sciences”. Retailing is an accepted area of academic debate, such as marketing and management, developed fully as an area of study. University research centres focus on retailing and professional appointments in retailing have been made. Academic journals focusing on retailing are being published worldwide.

6. Retailers enjoy status as major employers: In today’s society, retailers are the major employers. It is estimated in developed countries that retail industry employs one in nine of the workforce. Retailers employ a significant proportion of the overall workforce.

   More than two thirds of the retail force is women. Also, more than half of retailing employees are employed on a part-time basis. This, highly flexible workforce is capable of adapting to the differing labor demands. In the past, retailing employees got lower pay and had longer working hours. But now, the retail sector is becoming more organized with better pay scale.

7. Retailers are gatekeepers within the channel of distribution: Retailers are becoming increasingly important in their role as gatekeepers within the channel of distribution. In the past, suppliers were dominant. Retailers supplied the merchandise that was on offer and consumers selected from them. As retailers have become significantly powerful, they are able to influence suppliers and stock only the brands they wish to sell. So, consumers are able to buy only what is stocked and offered to them by the retailers. Retailers are thus considered as shaping consumer demand.

8. Retailing has scope for expanding internationally: Retailing offers scope for shifting retail operations outside the home market. Retailers who focus on luxury goods markets are expanding their business internationally. Retailers are moving into more geographically and culturally distant markets.

Functions of a Retailer

Retailers are crucial players in the emerging market scenario. Large brands are running first to get into the desired retail formats to cater to the growing middle class of India. Retailers perform various functions like providing assortments, sorting, breaking the bulk,
rendering services, bearing risk, serve as a channel of communication, transportation, advertising and holding inventory. They significantly contribute towards increasing the product value and satisfying the consumers. Following are the functions of a retailer/retailing:

❖ **Providing assortments:** Offering an assortment enables customers to choose from a wide selection of brands, designs, sizes, colors, and prices in one location. Manufacturers specialize in producing specific types of products.

❖ **Sorting:** Manufacturers make one single line or multiple product lines and will always prefer to sell their entire output to few buyers to reduce their costs. Final consumers will prefer to choose from a large variety of goods and services and then usually buy in smaller quantities. Retailers have to strike a balance between demands of both the sides, by collecting a combination of goods from different producers, buying them in large quantities and selling them to individual consumers in smaller quantities. The above process is called sorting and under this process, the retailer undertakes activities and performs functions that add value to the products and services while selling them to consumers.

❖ **Breaking Bulk:** Retailers offer the products in smaller quantities tailored to individual consumers and household consumption patterns. This reduces transportation costs, warehouse costs and inventory costs. This is called breaking bulk.

❖ **Rendering Services:** Retailers render services that make it easier for customers to buy and use products. They provide credit facilities to the customers. They display products, which attract the customers. Retailers keep ready information on hand to answer queries of the customers. They provide services by which the ownership can be transferred from manufacturer to the end consumers with convenience. They also provide product guarantee from owner’s side, after sales service and also deal with consumer complaints. Retailers also offer credit to consumers and develop hire purchase facilities to enable them to buy a product immediately and pay the price at their ease. Retailers also fill orders, promptly process, deliver and install the product at customer point. Retail sales people answer the customer complaints and demonstrate the product for the customer to evaluate before making a choice. They also help in completing a transaction and realizing the sale.

❖ **Risk Bearing:** Retailers bear a different kind of risk to the manufacturers and wholesalers. Even the customers can come back to the retail point and return the product. In that case, the risk of product ownership many times rests with the retailers. Many companies have buy back schemes and return schemes whereby the retailers can always return the unsold items to the manufacturer.

❖ **Holding Inventory:** A major function of retailers is to keep inventory so that products will be available for consumers. Thus, consumers can keep a much smaller inventory
of products at home because they can easily access more from the nearby retailers. Retailer’s inventory allows customers instant availability of the products and services.

**Global Retail Scenario**

Retailing has become an intrinsic part of our daily lives. Nations that have enjoyed the greatest economic and social progress have a vibrant retail sector. Retailing is one of the most important industries in the world and plays a predominant role in economic development of the country. Globally, retailing is the largest revenue generator and employment provider next only to agriculture. Retail industry is predominant in developed countries like USA, UK etc. In India it is an upcoming industry. Organized sector accounts for over 50% of retail sales in most developed countries including USA, UK, Germany, France etc. Even in developing countries like Brazil, Mexico and China the share of organized retail is much higher than in India. Following are the five largest retailers in the world.

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<th>Rank</th>
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<td>1</td>
<td>Wal-Mart Store Inc</td>
<td>USA</td>
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<td>2</td>
<td>Carrefour Group</td>
<td>France</td>
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<td>3</td>
<td>The Kroger Co</td>
<td>USA</td>
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<tr>
<td>4</td>
<td>The Home Depot Inc.</td>
<td>USA</td>
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<td>5</td>
<td>Metro</td>
<td>Germany</td>
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In USA, the (SOURCE) retail industry employs about 22 million people and generates more than three trillion dollars sales annually. Before the Second World War the retail sector in USA largely consisted of small family run stores popularly called Mom and Pop stores. After the war, with the fast growth in income and changing lifestyles in USA, the modern retail sector dominated by large stores and run by Professional Management began to gain importance. Wal-Mart was established in 1960s. It provided goods at very low prices by buying in bulk and developing very efficient logistics. Over the years Wall-mart grew exponentially and has become the largest retailer in the world. There is a huge concentration of large retail firms in USA - 10 % of food and general merchandise firms account for over 40% of all retail sales. Some of these large retail chains eliminate the whole sellers and buy direct from the manufacturers making the supply chain very efficient.

In Japan, on the other hand, small firms and stores govern the retail sector. The wholesale channel is relatively much larger. Merchandise has to pass through three to four
channel members before reaching the store. This results in reduced efficiency and higher manpower and distribution costs. In Japan, 20% of workforce is employed in retail as against 10% in USA.

In Europe there is a high concentration of retail sales in some countries like UK and Germany. In UK, over 80% of retail sales in food are accounted by 5 large chains. In Southern Europe the market is more fragmented and we find traditional small family owned stores dominating the markets.

As retail chains expand and spread their operations they are focusing on development of private brands. Private brand is the licensed brand of a retailer. These are exclusive and only available at outlets of a specific retailer. Marks & Spencer stores for example carry St Michael brand. In India West Side has emphasized private brands while Shoppers Stop focuses more on manufacturers brand or brands available across retail chains.

However, Shoppers Stop has also developed private brands like Stop and Kashish. Super markets like Food World and Trinetra have also branded grocery products. The use of private brand enables retailers to maintain an image of exclusiveness and develop a loyal clientele. It also enables them to quote lower price since retailers do not have to promote or spend heavily on advertisement of private brands whose circulation is limited to the chains.

**Challenges to Retail Development in India**

An industry is a group of firms that market products, which are close substitutes for each other (e.g. the car industry, the travel industry). Understanding the sources of competition can help a firm gauge its strengths and weaknesses, and analyze the trends in the industry so that it can position itself optimally for the best returns. Some industries are more profitable than others. Because the dynamics of competitive structure in an industry. The most influential analytical model for assessing the nature of competition in an industry is Michael Porter’s Five Forces Model, which is described below:

Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five “competitive forces” are:

1. The threat of entry of new competitors (new entrants)
2. The threat of substitutes
3. The bargaining power of buyers
4. The bargaining power of suppliers
5. The degree of rivalry between existing competitors

❖ **Threat of New Entrants:** New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely
depends on the barriers to entry. High entry barriers exist in some industries (e.g. shipbuilding) whereas other industries are very easy to enter (e.g. estate agency, restaurants). Key barriers to entry include:

(a) Economies of scale  
(b) Capital/investment requirements  
(c) Customer switching costs  
(d) Access to industry distribution channels  
(e) The likelihood of retaliation from existing industry players.

❖ **Threat of Substitutes:** The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on Buyers’ willingness to substitute the relative price and performance of substitutes the costs of switching to substitutes.

❖ **Bargaining Power of Suppliers:** Suppliers are the businesses that supply materials and other products into the industry. The cost of items bought from suppliers (e.g. raw materials, components) can have a significant impact on a company’s profitability. If suppliers have high bargaining power over a company, then in theory the company’s industry is less attractive. The bargaining power of suppliers will be high when:

  ✓ There are many buyers and few dominant suppliers  
  ✓ There are undifferentiated, highly valued products  
  ✓ Suppliers threaten to integrate forward into the industry (e.g. brand manufacturers threatening to set up their own retail outlets)  
  ✓ Buyers do not threaten to integrate backwards into supply  
  ✓ The industry is not a key customer group to the suppliers.

❖ **Bargaining Power of Buyers:** Buyers are the people/organisations who create demand in an industry. The bargaining power of buyers is greater when:

  ✓ There are few dominant buyers and many sellers in the industry  
  ✓ Products are standardized  
  ✓ Buyers threaten to integrate backward into the industry  
  ✓ Suppliers do not threaten to integrate forward into the buyer’s industry  
  ✓ The industry is not a key supplying group for buyers.

❖ **Intensity of Rivalry:** The intensity of rivalry between competitors in an industry will depend on:

  ✓ **Structure of competition:** For example, rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader.
✓ **Structure of industry costs:** For example, industries with **high fixed costs** encourage competitors to fill unused capacity by price cutting.

✓ **Degree of differentiation:** Industries where products are commodities (e.g. steel, coal) have greater rivalry; industries where competitors can differentiate their products have less rivalry.

✓ **Switching costs:** Rivalry is reduced where buyers have high switching costs - i.e. there is a significant cost associated with the decision to buy a product from an alternative supplier.

✓ **Strategic objectives:** When competitors are pursuing aggressive growth strategies, rivalry is more intense. Where competitors are “milking” profits in a mature industry, the degree of rivalry is less.

✓ **Exit barriers:** When barriers to leaving an industry are high (e.g. the cost of closing down factories) - then competitors tend to exhibit greater rivalry.

### Opportunities for Retail Sector in India

There are many factors which act as opportunities for the organized retail players and have a positive impact. As Indian economy is the **fourth largest economy in the world** and third largest in terms of **purchasing power parity**. This booming economy is one of the major factors of opportunity for the organized players.

The higher **bargaining power of the retailers with the suppliers** is another opportunity for organized retailing. Big retailers purchase in bulk and enjoy low prices. Large retailers operate on low margins and reap the benefit of economies of scale. In house brands or private labels are introduced by the retailers to increase the sales and thereby increasing the market share. Private labels are used by the retailers to differentiate themselves from the competitors. Another big opportunity for the Indian retailers is the changing age profile of spenders. India is a very young nation when compared to other countries. This would result in high level of spending on leisure activities and also the consumption level would go up on a higher side. It would also result in higher investment in economy and generate trade opportunities.

There is a proportionate increase in **spending of the general public** also in recent years. Consumer spending the increased trend of impulsive shopping is the major source of opportunity for the organized retailers. An impulse buy is an unplanned purchase, a buying decision taken after seeing the merchandise.

This kind of buying is usually seen in **youngster and would be a big boon** for the organized retailers as the majority population in India is young. The tremendous growth
happening in tier II cities like Bhopal, Ahmadabad, Nagpur, Hyderabad, Lucknow, Jaipur etc is a biggest opportunities for the organized retailers. Also the fast growing middle class population is major boost for the organized retailers. Disposable income of this segment is expected to be around 8.5 % pa. In 2015.

RETAILING IN INDIA

The origin of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymonds, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing. The evolution of retailing in India can be better understood as:

Early Eighties

'Retailing' in India was synonymous with peddlers, vegetable vendors, neighborhood kirana stores (small grocery stores) or sole clothing and consumer durable stores in a nearby town. These retailers operated in a highly unstructured and fragmented market. Very few retailers operated in more than one city.

Before 1990

Organized retailing in India was led by few manufacturer owned retail outlets, mainly from the textile industry, Ex: Bombay Dyeing, Raymonds, S Kumar's, and Grasim. Later, Titan successfully created an organized retailing concept and established a series of showrooms for its premium watches

Nineties:

Liberalization of the Indian economy led to the dilution of stringent restrictions. Entry of few multi-national players like Nanz into the Indian market. Changing profile of the Indian consumers, increasing wages of the employees working in Greenfield sectors with higher purchasing power. Setting up of retail chains by domestic retailers like Cotton World (Mumbai), Nirula's (Delhi) and the Viveks and Nilgiris in the South.

The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers. For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountain head in books.
From 1995 onwards saw an emergence of shopping centers, mainly in urban areas, with facilities like car parking targeted to provide a complete destination experience for all segments of society. Emergence of hyper and super markets trying to provide customer with 3 V’s - Value, Variety and Volume.

The concept of retail as entertainment came to India with the advent of Shopping malls. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. This would finally lead to more of consolidation, mergers and acquisitions and huge investments.

Retailing is considered to be the largest private sector in India and moreover, it is second to agriculture in terms of provision of employment. Indian retailing provides employment to more than 4 crore people. The retail industry is divided into two sectors namely, organised or formal and unorganised or informal. In simple terms, it could be said that organised retailing is one in which the trading or merchandising is carried out by licensed or authorized retailers who are registered for sales tax and other taxes. The companies owned super markets, hyper markets; retail chains, and other privately owned retail stores or departmental stores come under this organised retailing. The revenue generated by these enterprises is accounted for by the Government. It is worth to mention few brands and companies that are presently marching in the Indian organised retailing. They are, namely Foodworld, Spencers daily, More super markets, Big Bazaar, Hypercity, Shoppers stop, Khadims, Lifestyle, Pantaloons, Westside, Trent, Reliance super, Reliance trends, Reliance footprints, and entertainment chains like, Adlabs, Fame, PVR, Inox and Fun Republic.

To spell out few Indian companies that have invested a big money in Indian organised Retailing are namely, Reliance, Future Group, Aditya Birla Group, TATA, and Bharti etc. Regarding the unorganised retailing, it stands for 95% of the Indian retailing and is occupied by the sole-owner managed general provision stores, paan shops, convenient stores, hand cart and pavement vendors etc. In relation to the provision of employment, the organised sector has employed 50 lakh people whereas, the unorganised has employed 3.5 crore people in India. It is found that India has highest density of shops in the world (AC Nielson and KSA Technopark, India). It is also estimated that the retail contributes about 10-11% to the GDP of India. The value of the organised retail is Rs. 35,000 crores and of the unorganised is Rs. 9,00,000 crores approximately.

The organised retailing is growing at a rate more than 30%. It implies that slowly the unorganised segment is being converted into organised. Regarding the investment, made by some of the Indian giants, it is learnt that Reliance has already invested $3.4 billion and emerging as the largest contemporary Indian conglomerate; Hyper city Retail of K.Raheja
group plans to open up 55 hypermarkets before 2015; Bharti enterprises plans to spend $5 billion by 2015 in their retail business. The present state and future plans of companies in this Indian retail industry will certainly ensure an abnormal growth rate than the present. According to AT Kearney’s Annual Global Retail Development Index for 2010, it is found in the annual study, made among 30 Countries based on their retail investment attractiveness, India has been placed at third rank which is ahead of Brazil, Saudi Arabia and others.

The Indian retail industry is divided into organized and unorganized sectors. The Indian retail sector is highly fragmented, with a major share of its business is being run by unorganized retailers like the traditional family run stores and corner stores. The organized retail however is at a very nascent stage, though attempts are being made to increase its proportion bringing in a huge opportunity for prospective new players.

Socio- Economic and technological factors affecting Retail Management

A. Socio-economic factors:

In recent years, the concept of social responsibility has entered into the marketing literature as an alternative to the marketing concept. The implication of socially responsible marketing is that retail firms should take the lead in eliminating socially harmful products such as cigarettes and other harmful drugs etc. There are innumerable pressure groups such as consumer activists, social workers, mass media, professional groups and others who impose restrictions on marketing process and its impact may be felt by retailers in doing their business.

The society that people grow up in shapes their basic beliefs, values and norms. People live in different parts of the country may have different cultural values – which has to be analysed by retail business people/firm. This will help them to reorient their strategy to fulfill the demands of their consumers. Retail marketers have a keen interest in anticipating cultural shifts in order to spot new marketing opportunities and threats. Several firms such as ORG, MARG etc. offer social / cultural forecasts in this connection. For example, marketers of foods, exercise equipment and so on will want to cater to this trend with appropriate products and communication appeals.

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. The changes in economic conditions can have destructive impacts on business plans of a firm. Economic forecasters looking ahead through the next decade are likely to find their predictions clouded by the recurrent themes of shortages, rising costs and up and down business cycles.

These changes in economic conditions provide marketers with new challenges and threats. How effectively these challenges could be converted into opportunities depend on
well-thought-out marketing programmes and strategies. Further, no economy is free from the tendency of variation between boom and depression, whether it is a free economy or controlled economy. In any event, economic swings affect marketing activity, because they affect purchasing power. Retail marketing firms are susceptible to economic conditions, both directly and through the medium of market place.

For example, the cost of all inputs positively responds to upward swing of economic condition – which will affect the output price and consequently affect the sales. The effect on consumers also influences the marketing through changes in consumer habits. This is an indirect influence. For example, in the event of increase in prices, consumers often curtail or postpone their expenditures. Conversely, during time of fall in prices, consumers are much less conscious of small price differences and would buy luxury and shopping products.

B. Technological Factors

Retailers are undergoing accelerated technological innovation in achieving profitable differentiation. Retailers that wish to stand out in the crowd are showing great interest in hand-held terminals that have evolved from its proven supply chain form factor to the real-time enabled mobile points-of-sale (MPOS), consumer, associate, and manager productivity form factors.

Technologies that can enable data capture and access for improved decision making will remain growth drivers in developed and developing economies. POS replenishment in developed economies is driven by next-generation, forward and backward integration-capable POS systems, however, self-checkout is likely to form a part of the PUS replenishment budget. In developing economies, PUS systems continue to offer growth opportunities, the hardware and software tools that have now become almost essential for Store operations are as follows:

A. Bar coding and scanners

Point of sale systems use scanners and bar coding to identify an item, use pre-stored data to calculate the cost and generate the total bill for a client. Tunnel scanning is a new concept where the consumer pushers the full shopping cart through an electronic gate to the point of scale. In a matter of seconds, the items in the cart are hit with laser beams and scanned. All that the consumers have to do is to pay for the goods.
B. Payment

Payment through credit cards (plastic money) has become quite widespread and this enables a fast and easy payment process. Electronic cheque conversion, a recent development in this area, processes a cheque electronically by transmitting transaction information to the retailer and consumer's bank. Rather than manually processing a cheque, the retailer voids it and hands it back to the consumer along with the receipt, keying digitally captured and stored the image of the cheque, which makes the process very fast.

C. ERP System

Various ERP vendors have developed retail-specific systems which help in integrating all the functions from warehousing to distribution, front and back office store systems and merchandising. An integrated supply chain helps the retailer in maintaining his stocks, getting his supplies on time, preventing stock outs and thus reducing his costs, while servicing the customer better.

D. CRM systems

The rise of loyalty programs, mail order and Internet has provided retailers with real access to consumer data. Data warehousing & mining technologies offers retailers the tools they need to make sense of their consumer data and apply into business. This, along with the various available CRM systems, allows the retailers to study the purchase behaviour of consumers in detail and grow the value of individual consumers to their business.

E. Wi-Fi:

As Wi-Fi technology has matured, retailers have begun to see it as a robust, inexpensive option for in-store connectivity. The concurrent development of handhelds has dramatically broadened retailers' options for application delivery. With Wi-Fi enabled handheld devices, applications such as P05, inventory audit, item lookup, pricing and labour scheduling can be used anywhere on the sales floor. Wi-Fi is quickly becoming a standard for retail. Chain Store Age's survey found that 19.5% of retailers polled last summer planned to spend capital-investment funds on Wi-Fi networks.

F. RFID (Radio Frequency identification): There are many uses of RFID. Some of them used in-store are as follows:
RFID helps improve inventory management: Inventory control is often a costly, time-consuming process for retailers. By offering real-time inventory RFID enables inventory managers to monitor and control inventory supply at all times. By automating the inventory tracking process, stores can keep costs down by maintaining optimum inventory levels avoiding stock-outs and eliminating unnecessary orders. Tracking capabilities also make it easier to predict product demand. Store managers can monitor quick-selling items with increased accuracy, ensuring that their inventory supply is stocked accordingly.

Improving Customer Service: Satisfied customers mean better business for retailers. By using RFID, your staff can identify the exact location of any retail item at any time. Customer requests can be handled quickly and easily by your customer service team through access to a centralized database. RFID-tagged items offer store-to-store visibility, so items can be located immediately with the touch of a button. This level of product accessibility results in shorter wait times for customers and offers a better shopping experience. Improving overall store efficiencies ultimately results in greater savings to customers.

Boosting customer loyalty: RFID can be the personal shopper of the future. By using RFID technology, retailers can collect information about their customers' purchasing trends and offer rewards targeted to those interests. RFID can enable your marketing and customer service teams to identify customers, call up account histories, and provide value-added services to help create a personalized shopping experience. For example, one clothing retailer in New York is using RFID smart labels to store information about each item in the store, such as fabric content, available sizes and colors, and suggested complementary items or accessories. RFID readers in the fitting rooms are connected to computer monitors so customers can view all the information and make decisions without ever having to leave the fitting room. And, because privacy is a primary concern, advanced security technology enables your IT staff to better protect all information. Participation is optional for each customer.

G. Cell Phones: Using mobile phones to alert shoppers about complementary items, sales and as a vehicle for coupons is a very attractive option for retailers. Partially, that's because it's a lot cheaper than, say, a smart shopping cart. Most shoppers already have cell phones, so that limits the back-end investment. Third party companies are also rushing in with solutions.
H. Smart Shopping Carts: Smart shopping carts have been around in one form or another for about 20 years. The original idea was to include a bar code scanner on the carts so shoppers could circumvent the checkout line. Then the focus shifted to marketing. Smart shopping carts sporting book-sized computers that appeared in two Safeway stores in California in 2002 required a customer to swipe his or her Safeway card at which point the cart's brain would access the customer's shopping history. The cart would then display four grocery items at sales prices available to them exclusively. It also offered a guide to the customer's most frequently purchased items and, as the on-board computer tracked the cart's movement down the aisles, radio frequency ID (RFID) chips would prompt the processor to notify the customer of sale items and appropriate promotions.

I. Plasma Screen TVs: Since the '70s, select supermarkets have been using in-store TV programming (usually cooking demonstrations) to move product, but in the past five years or so, in-store TV networks have popped up at Wal-Mart,

**Government Policy for Retailing in India**

Indian government policy with regard to development of retail industry has been liberal and motivating. The Indian traders/retailers register their outlets/shops with concerned authorities in various states and by honoring sales tax and other obligations of the state concerned, they can run their retail business. As such, there is no constraint on the entry of any domestic business house into retail sector. Therefore India has more than 12 million ‘kirana’ stores making India a hub of retail shops. With the rising disposable income of Indian middle class and 8-10% annual GDP growth has attracted global players to enter and explore the opportunities in Indian untapped retail market.

Considering the future of 12 million of shopkeepers, policy makers and even some state governments in consultation with centre have been planning to restrict foreign players in the Indian retail sector, which is in its nascent stage. Therefore, the decision of allowing FDI in retailing has been a controversial subject for last decade. FDI is allowed in several sectors of the economy by the central government but FDI in retailing is still restricted and not allowed in full swing.

**FDI in retailing:**

As allotment of land is a subject matter for states, central government is concerned with FDI approvals in the sector. Due to political compulsion and the opposition from Left parties, the government has banned FDI in retailing since 1997. At present, foreign investors can only enter the retailing sector through franchising agreements. Till January 2006, the retailers entered the market through the franchisee route, but in January 2006, the Indian government decided to have up to 51% stake in local (domestic) subsidiary. Currently, multiple brands are not allowed but the government has proposed 49% FDI in multi-brand segment.
Guidelines for FDI approval:

1. The government has permitted FDI 100% in “single brand” segment or in joint venture for the retail of its exclusive product. Therefore, so far foreign players in India are entering through franchisee route only.

2. No incentives are required to attract FDI because indigenous market size and potential of market is already large and ample inducers exist like increasing size of middle class, increasing disposable income of Indian youth.

3. Following sectors are prohibited for FDI

   (i) Atomic and nuclear energy

   (ii) Lottery business

   (iii) Gambling and betting

4. State governments are not supposed to provide any land and power subsidies.

5. 100% FDI is permitted in wholesale/Cash and Carry trading which involves building a large distribution infrastructure to assist local retailers and manufacturers.

6. Further there is no need to give costly breaks, and import duty exemption.

7. In addition to above mentioned restrictions, Indian government has permitted FDI in these sectors, to the maximum limit of 100%, through the automatic route:

   ✓ Power trading

   ✓ Petroleum infrastructure

   ✓ Processing and warehousing of coffee and rubber

   ✓ Coal Mining and Diamond

FDI norms were liberalized in single-brand and multi-brand retailing by Department of Industrial Policy and Promotion (DIPP) on 20 September 2012 allowing FDI in multi-brand retail trade up to 51%, with government approval. The change in the regulations is as tabulated below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Earlier Position</th>
<th>Current Position (Post Amendment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Carry Trading</td>
<td>FDI up to 100% allowed</td>
<td>Same as before</td>
</tr>
<tr>
<td>Single Brand Retailing</td>
<td>FDI up to 100% allowed</td>
<td>Same as before, but the conditions to single brand retailing have been relaxed</td>
</tr>
<tr>
<td>Multi-brand Retailing</td>
<td>Not allowed</td>
<td>Up to 51% FDI allowed</td>
</tr>
</tbody>
</table>
Retail Formats

Organized Vs. Unorganized Retailing

The Indian retail industry is divided into organized and unorganized sectors. The unorganized retail comprises of the local baniya or kirana shop, paan and beedi shops and the other owner manned general stores. These retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax.

On the other hand, the organized retail comprises of the licensed retailers who are registered for sales tax, income tax etc. and it comprises of the malls, supermarkets, hypermarkets etc.

I. Meaning of Unorganized Retail

“Unorganized retailing” is defined as an outlet which is run locally by the owner or the caretaker of a shop who lacks the technical and the accounting standardization. The supply chain and the sourcing are also usually done locally to meet the local needs.

Unorganized merchandising, refers to the normal formats of cheap retail, the native kirana retailers, the owner manned general stores, paan / beedi retailers, the convenience stores, hardware stores at the corner of one’s street, small medical shops etc.

Small-store (kirana) retailing has been one of the easiest ways to generate what is called self-employment as it requires a very limited investment in land, capital and labour. It is generally a family run business; there is lack of standardization and the retailers who run this store lack education, experience and exposure.

Unorganised formats in Indian Retail

India encompasses a wealthy ancient history of retail trade. An outsized range of the business models (Unorganised formats) are living since long, and they still have their presence across the country. That may be the rationale why they are taken into thought at this stage of analysis. However, most of those models concentrate on food grains, cereals and alternative connected food stuff.

1. Mandis: Ruling the market hierarchy are mandis, which owe their development partly to government policies on agricultural marketing.
Mandis are agricultural markets set up by the state governments to procure the agricultural produce directly from farmers. These markets can be categorised as grain mandis, cotton mandis, soya mandis, vegetable mandis, etc.

2. **Haats**: Unlike the regulated markets, there are also unregulated markets known as **haats, peta, angadi, hatwari, shandles, chindies or painths**. A **haat** is a periodic market which exists typically at a village level. A **haat** can be said to be a public gathering of buyers and sellers of commodities, fruits, vegetables, household goods, clothes, accessories like bangles, etc.

These haats are the heart of every village’s economic, social and cultural life as the producers as well as the farmers are very much dependent on them in their day to day life.

3. **Melas**: The rural life has another distinct feature with it and that is the melas which are quite popular in our country and around 25,000 of them are held each year. The classification of the melas can be done according to their nature as the commodity fairs and religious fairs; on the basis of the time period as one day, less than a week or weekly fairs. Normally, the melas have around 800 outlets.

5. **The Local Baniya/ Kirana**: ‘The local Baniya or the Kirana store as it is popularly referred to in India, is the nearby shop to one’s home that stores goods of basic daily needs like staples, FMCG products and many a times certain snacks which are ready
II. Meaning of Organized Retail

Organized Retail refers to the set-up of any retail chain supported by a well defined Supply Chain which usually has a small number of middlemen when compared to the unorganized sector. Due to a number of factors like cutting down of middlemen, removing of bottlenecks along the supply chain, efficiency in the processes, etc., the end user is rewarded with a better product at a cheaper price as against the unorganized retail sector. As the consumer base is growing each minute, the organized retail sector is believed to have a huge growth potential.

Classification of Organised Retail Formats and its Characteristics
I. Store based Retailing

A. Classification On The Basis Of Ownership:

i) Independent retailer: An independent retailer is one who owns and operates only one retail outlet. Normally such outlets have an owner or a proprietor and other working members in the outlet may be from the family.

In India, there are a huge number of independent retailers ranging from a paanwala to stores like Amarsons. An independent retailer has certain advantages like an ease in an entry to the market, one to one rapport with customers etc. but on the other hand, the advantages of economies of scale and the bargaining power with the suppliers is limited.

ii) A chain retailer or a corporate retail chain: A corporate retail chain exists when two or more outlets are under common ownership, and are usually having the same merchandise, ambience, promotional schemes etc. Wills Sports (ITC), Louis Phillipe, Van Heusen, (Madura Garments), Arrow (Arvind Mills), Planet M, etc. are a few examples. These retail chains enjoy the bargaining power and also, cost effectiveness.

iii) Franchising: A franchise is a contractual agreement between the franchiser and the franchisee, allowing the franchisee to conduct a business under an established name as per a particular business format in return for a fee or compensation. ‘Franchising may be of the following formats include, While the outlets of Van Heusen, Louis Phillippe, Arrow and Benetton are examples of individual franchises in India, McDonald’s operates at the level of two regional franchises. Pizza Hut, Domino’s and Subway are also franchises operating in India.’

iv) Leased departments: ‘These are also termed as shop-in-shops. When a part of a department in a retail store is leased / rented to an outside party, it is termed as a leased department and is a good way to expand the product offering and in India it is specially done for perfumes and cosmetics. Nowadays it is seen that the high traffic areas like malls, airports, multiplexes etc. are having the presence of small retail outlets or counters that are a part of larger retail chains and they have on display a small part of the products sold at the anchor store.

v) Consumer co-operatives: Consumer Cooperatives aim at providing essential commodities at cheap costs. As a national policy, shopper cooperatives are inspired and developed as a democratic establishment, owned, managed and controlled by its members, for cover of the interest of the common customers. The presence of shopper cooperatives has been operating as a force of the marketplace for the human. To some extent, it has been victorious in protecting the interest of the people and in cutting down the costs. Samples of co-operatives in India are the Sahakari Bhandar’s and Apna Bazaar retailers in Mumbai and Super Bazaar in urban center. Over the years,
shopper cooperatives have developed a worthy network of four-tier structure with 25,750 primary stores.

**B. Classification On The Basis Of Merchandise Offered:**

1. **i) Convenience stores:** These are relatively small stores located near residential areas, are open for long hours, throughout the week offering a limited variety of convenience products. The size of the store is between 3000-8000 sq.ft. These kinds of stores are still not very popular in India, but the stores at the petrol pumps in major cities like HP Speed Mart and In & Out can be termed as convenience stores. An important point to be thought of in Indian context is whether the local baniya is similar to a convenience store.

2. **ii) Supermarkets:** Supermarkets are usually characterized by large, low cost, low margin, high volume self-service market designed to meet the food and nonfood items need of the consumers. The most widely used definition of a supermarket is that of a store with a selling area of between 400 sq.m and 2,500 sq.m selling at least 70% of its merchandise comprising of foodstuffs and everyday commodities.

3. **iii) Hypermarket:** The word hypermarket is derived from the French word ‘hypermarche’, which is a combination of a supermarket and a department store and has a sales area of over 2,500 sq. m with minimum 35% selling space for non-grocery products. Hypermarkets area unit these days are substitutable with one stop looking. These stores sometimes have the most affordable costs. They nearly always have their own gas station on the positioning. Different facilities on the positioning embody banks with money machines, picture process outlets and pharmacies. A key part of differentiation between the supermarket and also the different retail formats is that they are usually destination locations. The hypermarkets area unit is designed to draw in customers from a considerably massive space with their low value offers. **Examples** of hypermarkets in India include Giant, Big Bazaar and Star India Bazaar.

4. **iv) Speciality stores:** A specialty store refers to a store that stores a particular type of merchandise or a single product of durable goods like furniture, household goods, consumer electronics etc. Such a business model is characterised by a high level of sendee or product information being made available to customers. These are characterised by a narrow product line, with product depth concentrating mostly on jewellery, apparels, furniture etc. Examples of specialty stores in India include retail chains like Pro-line fitness station and Gautier furniture.

5. **v) Department stores:** A department store is a large scale outlet often multi-leveled that offers clothing, accessories, cosmetics, household goods etc. from more or less separate departments on different floors. While department stores have been around in
India for a long time, this format of retailing has been a fair amount of action over the past few years. In this category, the players are Shopper’s Stop, Globus, Westside, Lifestyle etc.

vi) **Off price retailers:** Here, the merchandise is sold at costs lower than that at retail stores. Off-price retailers purchase manufacturers’ seconds, overruns or off seasons at a deep discount. The merchandise that is offered in these stores may be in odd sizes, colors may be unpopular or some minor defects may be there. These kind of stores may be a part of some parent company or they may be a kind of specialty store. The factory outlets in case the manufacturer owns them, may stock only company merchandise. Examples of these include Pantaloon Factory Outlets, Levi's Factory Outlets, etc. On the other hand, off price retailers owned by the specialty or departmental store may sell merchandise from the parent company as well as merchandise acquired from other retailers.

vii) **Catalogue showrooms:** Catalogue retailers are those where the customer comes and places the order through a catalogue of the product/s that he would like to buy and then arrangement is done to bring the product from the warehouse for purchase by the customer. Some of the popular catalogue showroom retailers in the world include Argos, Service Merchandise and Best Products. India’s most exciting retail store, Hyper City, has joined forces with Argos, the UK’s best loved high street name, to bring a new shopping experience to the customer.

### II. Non-Store based Retailing

Non store selling is the absence of the shop and selling on to the client and might take the shape of direct commercialism and direct response promoting. Whereas within the former, direct personal contact must be there, within the latter but, awareness of the merchandise or services are often created accessible through mails, catalogues, phone, TV or net.

a) **Mail Order selling / Catalogue selling:** Personal commercialism and store operations area unit eliminated during this sort of retailing and is sometimes applicable for the specialty merchandise. The client databases are prepared to develop targeted catalogues that attract to slim target markets. The essential characteristic of this type of selling is convenience.

b) **Tele-marketing:** Asian Sky search was among the primary to introduce TV looking in Asian country. This sort of selling needs the publicity of the merchandise on TV discussing its options, price, guarantee etc. An inventory of phone numbers area unit provided for every town so that the customer can take decision and place the order for the merchandise which can be delivered at home.

c) **Automated vending/ kiosks:** This is the foremost impersonal mode of selling. However, it provides associate ease and access to customer’s 24-hrs on a daily basis. The foremost unremarkably seen examples in Asian country area unit are tea and coffee machines at the airports. Not to forget the foremost roaring example in Asian
country is that the cash dispenser Machines operated by the banks. This type of selling is incredibly fashionable abroad and is employed unremarkably for soft drinks, newspapers, cigarettes and candy.

d) **The cash & carry:** The term ‘Cash & Carry’ as per the name suggests refers that customers do their own order selecting, pay in money and carry the merchandise away. The money and carry could be a wholesale format that aids tiny retailers and businessmen.

**Services Retail**

Services retail would involve the retail of assorted services to the top client. Key services areas are:

- Retail Banking
- Car Rentals
- Various services like electricity, gas, etc.
- Service contracts which can be entered into for a couple of durable goods like maintenance of water filters, laptop systems, etc.

A key space among services retail is retail banking. The operating of retail banking deals carefully with the dealing of business banks with individual customers which incorporates merchandise like fastened, current savings accounts on the liabilities side; and mortgages and loans (e.g., personal, housing, auto, and educational) on the assets aspect.

The typical merchandise offered within the Indian retail-banking section area unit the assorted loans like housing loans, consumption loans for purchase of consumer goods, auto loans, credit cards and academic loans. Still, regular up-gradation is needed within the banking sector for itself and the banks. It is interesting to note that retail formats can also be mapped in the concept of the lifecycle. This mapping is with reference to the time when they evolved and the current status with reference to the overall sales and customer acceptance.

**EMERGING TRENDS IN RETAIL FORMATS**

1. **Van/Mobile Van Retailing:** This is a compromise between door to door selling and store selling. In this type of retail business, retailer keeps one day stock of his merchandise and goes to an area to serve its permanent customers. Sometimes retailers visit some areas which are totally new to them to attract new customers. The kind of products sold in Van retailing can range from everyday household products to different kinds of eatables. The various van goods include soaps, detergents, kitchen appliances, scrubbers, and several other cleaning products. There are some vans which designed to operate at extremely low temperatures. In these types of van customers will find all kinds of in frozen food such as vegetables, meat, dairy products, and ice. In the rural areas this kind of selling of goods still exists though it is not quite popular in metropolitan cities. In some states van retailing may be
subject to regulations and entail licensing. State regulations determine the area that van sales can cover and the products that are allowed to be sold. Van retailing is usually found in remote/rural areas and is of two types:

- **Static retailing**: Under this sort of retailing, such vans are parked in public areas where customer traffic is usually high. The items sold under static retailing are snacks and junk food.

- **Raving retailing**: It is where retailer takes his van to one house to another, selling merchandise to customers at their doorstep.

2. **Conference/Party/Event Retailing**: In this sort of retailing, retailer invite people from nearby localities and after describing positive aspects of the merchandise, sells it. These types of get together/events are organized by the franchisor (retailer) belonging to a big organization. The products sold under such form of retailing vary from cosmetics from small household items that are of low cost.

In order to attract customers, retailer usually distributes sample merchandise or gives some demonstration regarding effective use of his items offered on sale. Event retailing usually takes place on national or regional level events such as Valentine Day, Mother’s Day, Father’s Day, Diwali, etc. Gold retailing on the day of ‘Akshaya Tritiya’ in most of the parts of the country is one of such example of event retailing.

Some events are food related like Annual Mango festival at Pragati Maidan, Delhi organized by Delhi Tourism in collaboration with Delhi Government. Further food festivals, special food offers being offered on the occasion of ‘Karva Chauth and Navratra in India are none other than event retailing.

3. **Distant Retailing**: As the very name suggests, under distant retailing, a customer place the order from a remote location by telephone, SMS, internet, pager etc, instead of visiting a store. Retailers who provide such home delivery facility may/may not have physical stores. The leading global retailers who follow such practice are Amazon, Wal-Mart, Arkay Hygiene. The main advantage of such sort of retiling is that any type of item can be supplied by the retailer on demand. The range of items offered depends on the customers’ demand, and retailers’ resources and the infrastructure of the concerned region.

4. **Forecourt Retailing**: A new emerging concept in retailing is the establishments of stores in front of large buildings of high traffic areas. This concept caught public attention with oil companies trying to allow private companies to set up convenience stores at their fuel station outlets. The aggressive players in this area are HPCL, IOC, BPCL and Reliance.

According to a Business Standard report, Vishal Mega Mart has tied up with Hindustan Petroleum Corporation Ltd (HPCL) for opening forecourt retail stores chain, which has been branded as “Vishal Corner Mart” will set up convenience stores at fuel station outlets of HPCL. These marts besides offering convenience goods and services would
also provide travel solutions and other facilities as a ‘one stop solution’. Previously, Apollo Pharmacy had tied up and set up ‘convenio’ stores at Indian Oil Corporation (IOC) petrol pump outlets for supplying groceries and medicines. This experiment was well appreciated by business critics but it did not succeed, perhaps, on account of problems in revenue sharing model. Similarly Kishore Biyani-led Future group had also tied up with IOC to set up fuel pumps in Big Bazaar premises and Big Bazaar stores in IOC premises. However, nothing seems to have emerged so far.

5. Trade Parks: Retailing through trade parks is a recent retail practice and is practiced only in metros and big cities. Under this concept, business complexes are being set up for promotion of retail trade especially the international trade. Some of the examples are India Exposition Mart set up by Handicraft Export Promotion Council in Greater Noida, International Home Deco Park (IHDP) set up by a group of private investors in Noida and World Trade Park coming up in Jaipur. IHDP plans to provide International buyers ready access to approximately sixty world class Indian exporters belonging to Home Furnishings segment.

This effort of IHDP would be beneficial to buyers as they would not have to go to remote towns to see the designs and samples of exporters. Exporters apart from getting increased visibility will also get other facilities such as design library, design studio, forwarding services and so on. The parks are built to promote trade and are open to international buyers and buying houses only.

**MNC’S IN ORGANISED RETILING**

(i) **RPG Retail**: RPG has launched chains like ‘Health and Glow’ (pharmacy and beauty care segment, 1997), Music World (music entertainment, 1997), Spencer Hypermarket (cash and carry stores).

- Music World operates in three different formats – Music World Destination,
- Music World Express and Music World Unplugged. A total of 256 Music World outlets are operational.

**Spencer Hypermarket** operates in formats – Spencer’s Hyper, Spencer’s Super, Spencer’s Daily, Spencer’s Fresh (in decreasing order of floor area).

(ii) Pantaloon Retail

**Operated Retail Formats**

- Lifestyle retailing
  - Pantaloons (fashion destinations)
  - Central (seamless malls)
• Blue Sky (fashion accessories)
• aLL (fashion apparel for plus size individuals)

➢ Value retailing ventures
• Big Bazaar
• Food Bazaar
• Fashion Station

➢ Healthcare and beauty services – Beauty and Health Malls
• Star & Sitara (beauty salon chain)
• JV with Manipal Health Systems to set up pharmacy chain and health clinics
• JV with Talwalkars for setting up gyms and retailing of fitness product

➢ Home Solutions Retail (India) Ltd operates
• EZone and Electronic Bazaar (consumer durables and electronics)
• Collection I
• Furniture Bazaar (home furnishing)

➢ Futurebazaar.com
➢ Depot for books, music and gifts, stationary etc.

(iii) BPCL (In & Out): State owned Bharat Petroleum has 6600 retail outlets and a convenience store (In & Out) network of 580 outlets. In & Out have alliances with FMCG majors like ITC, Pepsi, Gillette, Pedigree, Himalaya etc. Services offered include ATMs, Music stores, mobile recharge cards, snacks and beverages etc.

(iv) Reliance Retail: Reliance Retail started off with the launch of Reliance Fresh chain, which houses fresh fruits and vegetables, dairy products etc. The stores also have a separate enclosure and supply chain for non-vegetarian products. The company is also contemplating partnering small-scale traders at a later stage by setting up separate outlets wherein the traders could purchase groceries and other products from them. Reliance is also managing supply chain for Sahakari Bhandar co-operatives in Mumbai. Reliance also operates The A1 Plazas convenience stations on the high way with food and bath facilities and also Qwik Mart quick transaction stores offering the convenience of buying household food and non-food merchandise, music, take-away café etc.

(v) The Tata Group: Its retail arm is called Trent. They are launching a new subsidiary ‘Infiniti Retail’ in JV with Woolworths. Trent operates 24 Westside stores, with its positioning being style offered at affordable prices for all age groups. Trent entered hypermarket business with the launch of Star India Bazaar. It has 76% stake in books and music retail giant Landmark also. Titan Industries – It’s a JV between Tata group and Tamil Nadu Industrial Development Corporation (TIDCO). This JV also owns the branded jewelry brand Tanishq.
(vi) K Raheja Group: They own department store format Shoppers’ Stop, book & music retail format Crossword and hypermarket format “Hypercity”. Their profit increased by 42% last year. Shopper’s stop, unlike Pantaloons and Westside where the majority of the sales are through private labels, house a large number of brands.

They have tied up with Mothercare, global brand for infants and children. They have opened 10 Mothercare outlets and plan to open 40 more in coming 5 years. They have also entered into a similar tie-up with MAC (Estee Lauder), to open latter’s stores with beauty and cosmetics market. It has tied-up with Nuance group to set up shops at airports. The group has also launched food and beverages outlets such as Café Brio and Desi Café.

(vii) Lifestyle International: It is owned by Dubai based Landmark Group, which operates 9 Lifestyle stores (Average store size being 46000 sqft) and 3 Home Centres. The group has plans to invest around ` 450 crore in next three years to fund its expansion of the Max chain of value retail stores, Home Centres, Max Hypermarkets and Lifestyle Centres. The Max range of value stores target the mid-market segment in major metros and mini metros, and offer clothing, footwear and accessories.

(viii) Pyramid Retail: They came into market in 1999 with 3 retail concepts – shopping malls of international standards called Crossroads (recently sold to Pantaloons); a lifestyle department store called Pyramid Megastore; and a family entertainment centre called Jammin. In 2001, the group entered the business of food & grocery retail with its “Pyramid Supermarket” in Pune. Presently it operates in two formats:- Department Stores (7 Pyramid Megastores) and Supermarkets (19 TruMart Stores).

(ix) Nilgiri’s: Operating from the South, it makes a large part of its sales from its own produce. It is strategizing on backward integration with an increased focus on Fresh Fruits & Vegetables. Recently, UK based firm Actis bought out around 65 % stake in Nilgiris Dairy Farm.

(x) Subhiksha: It operates on a low-cost, low-capital investment model. They have large number of stores which help them to leverage the high volume of purchases and deliver discounts to customers. It has taken certain other steps also to cut costs like small sized stores, outlets taken on lease, using IT for inventory control etc. They are selling a wide variety of items like telecom products and services, groceries, fruits and vegetables and FMCG. It is also building a new chain exclusively for mobile handsets and peripherals.
Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighborhood have been identified as satisfactory; a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A thorough study of customers and their shopping behavior should be made before a location is chosen. The finest store in the world will not live up to it potential if it is located where customers cannot or will not travel to shop. The primary role of the retail store or center is to attract the shopper to the location. Alternatively, retailers must take the store to where the people are, either at home or in crowds. Examples of taking the store to where the crowds are include airport location, theme parks and vending machines.

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

Factors affecting the establishment of a retail outlet:

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

1. **Selection of the area:** Before commencing his business, a retailer should decide about the area which he would like to serve. While deciding the area of operations, he should examine the population of the area, its nature (permanent or shifting), income level of the people, nearness to big markets, transport and communication facilities, etc. All these factors will reveal the demand potential of the area.
2. **Choice of the site:** Once the area is decided, a specific site is selected for location of the retail shop. A retailer may open his shop in special markets or in residential areas. The shop should be near the consumers in a congested locality or at a place frequently visited by the consumers. The place of location should be easily accessible to consumers.

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

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

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

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

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

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

**Types of Store Locations**

A **store area** is an area where the retailer attracts customers. It is also called **catchment area**. There are three basic types of trade areas:
1. **Solitary Sites:** These are single, free standing shops/outlets, which are isolated from other retailers. They are positioned on roads or near other retailers or shopping centers. They are mainly used for food and non-food retailing, or as convenience shops. For example, kiosks, mom-and-pop stores (similar to kirana stores in India).

**Advantages:** Less occupancy cost, away from competition, less operation restrictions.

**Disadvantages:** No pedestrian traffic, low visibility.

2. **Unplanned Shopping Areas:** These are retail locations that have evolved over time and have multiple outlets in close proximity. They are further divided as:

   - Central business districts such as traditional “downtown” areas in cities/towns.
   - Secondary business districts in larger cities and main street or high street locations.
   - Neighborhood districts.
   - Locations along a street or motorway (Strip locations).

**Advantages:** High pedestrian traffic during business hours, high resident traffic, nearby transport hub.

**Disadvantages:** High security required, threat of shoplifting, Poor parking facilities.

3. **Planned Shopping Areas:** These are retail locations that are architecturally well-planned to provide a number of outlets preferably under a theme. These sites have large, key retail brand stores (also called “anchor stores”) and a few small stores to add diversity and elevate customers’ interest. There are various types of planned shopping centers such as neighborhood or strip/community centers, malls, lifestyle centers, specialty centers, outlet centers.

**Advantages:** High visibility, high customer traffic, excellent parking facilities.

**Disadvantages:** High security required high cost of occupancy.

**Steps to Choose the Right Retail Location**
Step 1 - Analyze the market in terms of industry, product, and competitors -
How old is the company in this business? How many similar businesses are there in this location? What the new location is supposed to provide: new products or new market? How far is the competitor’s location from the company’s prospective location?

Step 2 – Understand the Demographics – Literacy of customers in the prospective location, age groups, profession, income groups, lifestyles, religion.


Step 4 - Identify Alternative Locations – Is there any other potential location? What is its cost of occupancy? Which factors can be compromised if there is a better location around?

Step 5 – Finalize the best and most suitable Location for the retail outlet.

**ATMOSPHERICS**

Atmospherics refers to the physical characteristics associated with the store that includes interior and exterior elements, as well as layout planning and display. Atmospherics plays a major role in attracting customers to the store, improving the quality of service experience, creating a brand positioning for the outlet, and improving customer retention rates.

**Importance of Atmospherics Planning**

Atmospherics planning is increasingly gaining relevance for all kinds of retail setups like planned shopping centres and life style stores. Where exterior atmospherics refers to the aspects like store front, display windows, surrounding businesses, look of the shopping center etc, while interior atmospherics refers to aspects like lighting, color and dressing room facilities that enhance the display and provides customer with information.

Therefore, Atmospherics plays an important role in creating a brand positioning for the outlet, attracting new customers, facilitating better organisation of the store and its merchandise and enriching the shopping experience. The role of Atmospherics in Retail Strategy is mainly to:
• Enhances the image of the retail outlet and attract new customers,
• Creates a definite Unique Selling Proposition (USP),
• Facilitates easy store movement and access to merchandise,
• Ensures optimum utilization of retail space,
• Reduces product search time for the customer,
• Reinforces the marketing communication of the outlet and influence the service quality experience.

The physical surroundings, in service settings such as retail outlets, are vital signs to service quality expectations. Some of these are:

• The choice of fixtures, decor and signage can greatly alter consumer perceptions of a store.

• Signs indicate services offered and often hang above or behind the service counters. Effectively placed signs can help to reinforce customers in their role in service encounters.

• Uniforms, or similar attires for employees, help alleviate customer anxiety as they feel embarrassed to ask if somebody works there. It also reassures customers that the service employee is a professional.

• Inexpensive and cheap fixtures may indicate that the retailer cuts corners, while overly expensive fixtures may indicate that the retailer is making large profits and over-pricing products. Hence, quality of fixtures is a symbolic cue to the consumers.

• In-store elements such as color, lighting, and music may have a bigger effect on purchase decisions than other marketing inputs such as advertising or point-of-purchase displays.

Background music enhances customer perception of the store's atmosphere and influences the amount of time a customer spends in a store. An added benefit is that employees perform better when there is background music, which increases job satisfaction. All these settings contribute to an integral part of the service quality experience for the customer. Environment should be constructed to encourage or discourage approach behaviours.
External Atmospherics

Exterior atmospherics refers to all aspects of physical environment found outside the store which includes store entrances, main board, marquee, windows and lighting etc. Storefront of every retail store exhibits a specific image such as traditional, up market or discount store to the shopper. In competitive markets, retailers can use the storefront as a strong differentiating factor and attract and target new customers. The major influencing aspects of external atmospherics can be discusses as below:

- **Retail Store Entrance:** In India, most of the traditional retail stores enjoy open entrance with no provision for entrance doors and security guards while in some leading markets retailer or owners of the stores even stand outside and invite passing by shoppers to visit their store and communicate the availability of specific merchandise. New age planned shopping centers and retail stores ensure accessibility to all customers, including those using wheel chairs and also provide for security of the store when it is closed.

  Most of the independent retailers prefer open entrances even in central district markets which are open market areas, in order to place a part of their merchandise outside the store. The most common store entrance alternatives used these days are: shutter-covered, modular fabrication, prefabricated structure and in prototype storefront.

- **Display Windows:** Display windows are very common features among retailers dealing in garments and gifts items. This feature is even very prevalent among small towns’ retailers. For example, Titan watches provides valuable inputs to Time Zone (First organised chain of retail stores in India) franchisers to install impressive moveable windows to display their merchandise, which not only communicate with prospective shopper but all attracts new customers to the store.

- **Marquee or Sign Board:** A marquee includes painted or neon light, printed or script, and store name alone or mixed with trademark and other important information. Pizza Hut, McDonald, Barista, and Bombay Selection owns widely acknowledged marquee. In India, most of the independent retailers use tin board and get it painted to place it outside the storefront. The quality of marquee influences the image of the store perceived by the customers.

- **Parking Facilities:** Parking facilities play an important role in the success of a retail firm. The importance of parking facility is of great significance in urban shopping center where number of car owners is increasing day by day and want to drive to shopping centers Limited or no parking facility in traditional centers is attributed to less than, one per cent ownership of automobiles in India. At the same time, Indian
consumers prefer to purchase from the nearby shopping center which can be approachable by walk or public transportation. Therefore, this aspect was remained neglected for long.

Internal Atmospherics

Interior atmospherics refers to all aspects of physical environment found inside the store. Point-of-purchase interaction and retail unit decoration influences the customer and in turn sales of the retail unit. Store physical environments have influence on shopping behaviour through mediating emotional states. The retail unit environment contains various stimuli that might be perceived by the customer's senses and each stimulus offers many options with regard to shopping behaviour. For example, store music varies by volume, tempo, pitch and texture and by the specific songs played. In addition, various individual stimuli can be combined to create unique atmospheres. To project an upscale image, a retail owner/manager choose folk music, modest colours, elegant perfumes, cool temperatures, inadequately displayed merchandise, and low lighting. Two key aspects of internal atmospherics are

- **Retail Store Image** is one of the most powerful components of retail positioning strategy and one of the most powerful tools in attracting, influencing, and, satisfying consumers. Retailer or manager is expected to design or redesign a store, with an objective of influencing customer's buying decisions and shopping behaviors.

  *For example* McDonald uses bright lights in their stores as it keeps customers in high spirits and ensures a high activity level. On the other hand, Ruby Tuesday maintains a more dull lighting, which ensures a subdued customer activity level and makes sure that most of them remain confined to their table.

- **Music:** Music is one of the key environmental variables that can impact shoppers. Environmental factors like music affect the time spent in the store, propensity to shop and satisfaction with the shopping experience.

**RETAIL POSITIONING**

*Positioning* is the deliberate and pro-active process of defining and influencing consumer perceptions of a marketable object, with a strong focus on the competitive position. A product is thus positioned in the minds of the consumers.

**Positioning Strategies**

Positioning is a way to communicate benefits to possible consumers. These benefits should motivate the target group to choose a specific product or service.
Positioning is a way to communicate benefits to possible consumers. These benefits should motivate the target group to choose a specific product or service. According to Porter, a famous author and economist, companies should choose between three different positioning strategies:

A. Differentiation

Differentiation means that a company offers products or services, which separate them from what their competitors offer. The products are unique or special, which make the consumer willing to buy them.

A company can use their product, service, personnel or image to differentiate themselves on the market (Kotler et al, 1999). Factors that can contribute to make a product special are for example trademark, technique, and product quality or customer service. Differentiation does not necessarily mean that just one of these factors is being used. They are often combined and that makes the differentiation successful.

The reason why companies often need to differentiate themselves is that consumers usually want a product that gives them the greatest value. Companies’ major issue is to understand the consumers and to deliver more value than their competitors do. That is why companies must always strive to deliver what is expected from them. If they claim to offer the best quality of their products they must also do so.

B. Cost Leadership Strategies

A cost leader is a company that mostly offers the same products or services at a lower cost than its competitors. To be a cost leader and gain such a position on the market, the company must concentrate on lowering costs but at the same time never disregard, e.g. quality and service. Since the companies have lower costs than their competitors they could receive the same or higher profit.

C. Niche Strategies

In a niche strategy a certain target group, part of a product range or geographic area is served. This strategy is not supposed to serve an entire market, but only some segments. It is a restricted market where a company specializes, their products and uses special resources, knowledge and experiences to identify themselves. A niche market is characterised by few competitors and the goal is to serve the segment better than the competitors, which are serving several segments. Niche can be divided in two different strategies, “cost leader niche” and “differentiated niche”. The “cost leader niche” consists of low-price companies and is directed towards price-conscious consumers. The “differentiated niche” contains companies attracting certain consumers with special characteristics.
BUILDING RETAIL STORE IMAGE

Retail store image has been shown to play an important role in store patronage, and it is widely accepted that psychological factors have a significant role in store image formation. Past research has often involved the measurement of tangible attributes, or links between store images and consumers’ self-images.

Store Image Components

With regard to the store components, many writers have chosen to classify factors in a way that relates to elements of the retail marketing mix. The following table (Table 1) presents a compilation of the store image components classification. The relative importance of the various image components varies considerably between markets, sectors, competitive situations and customer segments. There are sound reasons why the relative importance of attributes should vary between markets, whether the comparison is on an international, regional or even locality scale.

First, insofar as different localities are likely to be dominated by different shopper segments, no matter how these are defined, they will inevitably have some different attitudes, needs and priorities. Second, competition varies within each market. Asserts that a generalized view of attribute importance may offer little insight into how consumers may react to a specific competitive situation. If consumers perceive few differences between the stores on the attributes that are usually the most salient, they would probably discriminate between the stores on attributes that would usually be given only low markings.

One component that has attracting increasing importance is the store atmosphere, the physical ambient. Store atmosphere can be defined as the psychological feeling that the retailer develops in the consumer when it visits the store. It could also be understood as the store personality. In order to develop the atmosphere, retailers use resources that influence the sight, smell and other customers’ senses.

The atmosphere includes lightning, store layout, aisle space, placement and form of displays, colors, presence and volume of in-store music, smells and temperature. This component of store image is of special interest to companies for two fundamental reasons. The first one refers to the marketer’s ability to control the situational influences and create the retail environment. The second one regards the location of this influence: inside the store.

The atmosphere can help shape both the direction and duration of consumer’s attention. Thereby enhancing the odds of purchasing for products that otherwise might go unnoticed. Besides, the retail environment can express various aspects about the store to consumers, such as its intended audience and positioning.
Finally, the store setting can also elicit particular emotional reactions, such as pleasure and arousal, from consumers. These feelings can influence the amount of time and money consumers spend while shopping. The store atmosphere is, therefore, part of the store image, and not a synonym, since the store image is a broader concept, formed by not only the atmosphere, but also by other elements of the retail marketing mix that determine the store positioning.

One tactic for ensuring a favorable retail store image is a merchandise mix composed of a relatively high number of brands possessing high brand awareness, and one or more brands with a strong brand image. For the authors, brand image and retail image are inextricably linked to one another, since favorable images of brands positively influence patronage decisions and purchase behaviors, while unfavorable images adversely influence such decisions and behaviors. It means that the images associated with the brands a store carries influence a store image, which in turn, influences consumers’ decision-making processes and behaviors.

<table>
<thead>
<tr>
<th>Component</th>
<th>Details</th>
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<tbody>
<tr>
<td>Price of merchandise</td>
<td>Low prices</td>
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<tr>
<td></td>
<td>Competitive or non-competitive prices</td>
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<tr>
<td>Quality of merchandise</td>
<td>Good or poor quality of merchandise</td>
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<td></td>
<td>Stock brand names</td>
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<tr>
<td>Assortment of merchandise</td>
<td>Breadth and depth of assortment</td>
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<td></td>
<td>Carries or not the brand the customer wants</td>
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<td></td>
<td>Carries or not elegant brands</td>
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<td>Sales personnel</td>
<td>Attitude of sales personnel</td>
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<td></td>
<td>Knowledgeablitly of sales personnel</td>
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<td></td>
<td>Number of sales personnel</td>
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<td></td>
<td>Good or poor service</td>
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<td>Location convenience</td>
<td>Location from home/work</td>
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<td></td>
<td>Access</td>
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<td></td>
<td>Good or poor location</td>
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<td>Other convenience factors</td>
<td>Parking</td>
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<td></td>
<td>Hours store is open</td>
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<td></td>
<td>Convenience with regard to other stores</td>
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<td></td>
<td>Store lay-out with respect to convenience</td>
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<td></td>
<td>Convenience in general</td>
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<td>Services</td>
<td>Credit</td>
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<td></td>
<td>Delivery</td>
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<td></td>
<td>Ease of return</td>
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<td>Self-service</td>
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<tr>
<td>Sales promotions</td>
<td>Special sales</td>
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<td></td>
<td>Stamps and other promotions</td>
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<td></td>
<td>Displays</td>
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<tr>
<td></td>
<td>Symbols and colors</td>
</tr>
</tbody>
</table>
Meaning of Quality

In its broadest sense, quality is a degree of excellence: the extent to which something is fit for its purpose. In the narrow sense, product or service quality is defined as conformance with requirement, freedom from defects or contamination, or simply a degree of customer satisfaction.

Meaning of Service Quality

Quality in a service is a measure of the extent to which a delivered service meets the customer’s expectations. It is determined by the customer’s perception and not by the perceptions of the providers of the service. Service quality is considered a critical determinant of competitiveness.

Service quality can help to differentiate itself from other competitors and gain a competitive advantage. Superior service quality is a key to improved profitability. Services are an important segment of all economies and they become increasingly more a part of everyday life as economies develop. Consumer service is a key factor towards generating loyal retail customers, and ultimately, successful retail businesses.

Service quality, Defined as an activity that supplements or facilitates store sales, consumer service includes such items as free parking, gift wrapping, environment and delivery. Additionally, sales personnel offer consumer service through their interactions and relationships with customers. Nature and extent of Service Quality is dependent upon certain identifiable factors or dimensions which can be optimized with wise managerial judgments.
Kotler and Armstrong (1996) have defined service quality as “the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs”.

**SERVICE QUALITY MODELS**

Most of the service quality models suggest a multidimensional conceptualisation of service quality that leads to the measurement of service quality from a consumer’s perspective. There is a need to have a clear understanding of the service quality models because they help managers to identify quality problems which leads them to plan programmes to improve the quality which in turn will lead to better performance.

1) **According to Lehtinen and Lehtinen components (Model)**

   - Physical quality
   - Corporate quality
   - Interactive quality

   - Physical quality is the quality that results from the physical element of the service. It includes the physical products (goods) that are consumed during the service process and this is usually evaluated in an objective manner, and physical support which aids the production of the service.

   - The interactive quality is the interaction with the employees or any other elements of the service provider. This also includes interactions that customers have with each other.

   - Finally, the corporate quality is the history of the organisation and the image people form about the organisation. The corporate quality takes time to evolve whereas the physical quality might improve faster depending on the improvements made by the organisation.

2) **The North American School(model)**

   The North American School is more widely known than the Nordic school, and it is based on gap model. The American school, also known as the disconfirmation model, was developed in 1985 then later modified in 1988, 1991 and 1994. The gap model is about giving managers the tools to improve service quality. In the GAP model, five gaps are identified, taking into consideration the possible discrepancies between the elements of the service management process.
Gap-1: Difference between consumer expectations and management perceptions of consumer expectations.

Gap-2: Difference between management perceptions of consumer expectations and service quality specifications.

Gap-3: Difference between service quality specifications and the service actually delivered.

Gap-4: Difference between service delivery and what is communicated about the service to the consumer.

Gap-5: Difference between consumer expectations and perceptions.

3) Brady And Cronin Hierarchical Model

Further, Martinez & Martinez (2010) classifies the service quality models into three main models to help conceptualise service quality:

1. The multidimensional reflective model: This model is a multidimensional and a multi-level (hierarchal) model. This means that variation in the service quality construct causes variation in the dimensions and the variations in the dimensions causes variations in the sub dimensions. An example of this type is the retail service quality scale by Dabholk.

2. Multidimensional formative models: These models are multidimensional models and they assume that variations in the dimensions cause variations in the service quality construct which is opposite to the reflective model. This model conceptualizes service quality as shaped by its dimension; this is different to the multidimensional reflective model which conceptualizes service quality as defined by its dimensions. Examples of this type of model are the SERVQUAL, SERVPERF and the Nordic model.

3. The Multidimensional formative-reflective models: This model is a combination of the formative and reflective models. This model is similar to the formative model, it conceptualizes service quality as formed by its dimensions and it is similar to the reflective model in that the dimensions are reflected by its sub-dimensions. An example of this type of model is Brady and Cronin hierarchical model.

Retail Supply Chain Management

Retail Supply Chain  A supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials and components
Supply Chain management is concerned with the management of the flow of goods, flow of cash, and flow of information internally and externally of a company or a group of companies that share the same value chain.

It includes the movement and storage of raw materials, work-in-process inventory and finished goods from origin to point of consumption. Supply chain management has been defined as the “design, planning, execution, control and monitoring of supply chain activities with the objective of creating value to customers, building a competitive infrastructure, leveraging logistics, synchronizing supply with demand and measuring performance.”

**Parts of a Supply Chain**

- **Supply**: It focuses on the raw materials supplied to manufacturing, including how, when, and from what location.

- **Manufacturing**: It focuses on converting these raw materials into finished products.

- **Distribution**: It focuses on ensuring these products reach the consumers through an organized network of distributors, warehouses, and retailers.

**Objectives of SCM**

- To provide an uninterrupted flow of goods and services.
- To meet quality criteria.
- To reduce the inventory investment to the extent possible.
- To offer high customer service, low inventory management and low unit cost.
- To ensure quick responsiveness to the customer changes.
- To select and maintain competent suppliers.

**Importance of SCM in Retailing**

As the competition in the retailing industry in the current past has developed immensely, the customers are now demanding more services. Retailers are therefore offering a broad variety of products at lower rates and providing raised levels of services in their supply chain to attain a competitive advantage. The significance of supply chain management are listed right here.

- A proficient supply chain management practice facilitates the sellers to decrease the inventory lugging costs. There is also a proliferation in the responsiveness to the orders of the consumers.
An efficient supply chain management helps reduce the lead time, thereby making products readily – accessible to the clients.

Effective supply chain management aids in enhancing all business processes, like data accuracy, operational complexity decrease, supplier choice, purchasing, warehousing and distribution for the retailers, etc.

With an efficient supply chain, merchants can provide a diversity of product mix at reasonable prices to the customers.

Effectively managing the supply chain solutions can help conserve operational and transportation costs in the retailing market.

Using various technologies in the supply chain helps a retailer can acquire advantages of maintaining good relation with makers. With using RFID the inventory can be tracked, and ERP aids in increasing the performance of the supply chain.

The supply chain can boost customer satisfaction, if the quality is maintained throughout.

Components of Retail Supply Chain Management

1. Planning: A plan or strategy must be developed to address how a given good or service will meet the needs of the customers.
2. Sourcing: This component involves building a strong relationship with suppliers of the raw materials needed to make the product the company delivers.
3. Making: This is the manufacturing section of Supply Chain Management. The product is manufactured, tested, packaged and scheduled for delivery.
4. Delivering: This component in Supply Chain Management is logistical and involves the company creating warehouse networks, coordinating the receipt of orders from customers, deciding on the transportation and shipment methods, and setting up invoices to receive payment.
5. Returning: This is the final, service oriented part of the supply chain. In this component, the company tries to create a network that is responsible for receiving defective products or excessive amounts of them, as well as maintaining the original products sent to the customer.

RETAIL PRICING

The price at which the product is sold to the end customer is called the retail price of the product. Retail price is the summation of the manufacturing cost and all the costs that retailers incur at the time of charging the customer.
Factors Influencing Retail Prices

**Internal Factors:** Internal factors that influence retail prices include the following:

- **Manufacturing Cost:** The retail company considers both, fixed and variable costs of manufacturing the product. The fixed cost does not vary depending upon the production volume.

- **For example:** property tax. The variable costs include varying costs of raw material and costs depending upon volume of production. Labor.

- **The Predetermined Objectives:** The objective of the retail company varies with time and market situations. If the objective is to increase return on investment, then the company may charge a higher price. If the objective is to increase market share, then it may charge a lower price.

- **Image of the Firm:** The retail company may consider its own image in the market. For example, companies with large goodwill such as Procter & Gamble can demand a higher price for their products.

- **Product Status:** The stage at which the product is in its product life cycle determines its price. At the time of introducing the product in the market, the company may charge lower price for it to attract new customers. When the product is accepted and established in the market, the company increases the price.

- **Promotional Activity:** If the company is spending high cost on advertising and sales promotion, then it keeps product price high in order to recover the cost of investments.

**External Factors:** External prices that influence retail prices include the following:

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

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

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

- **Market Conditions:** If market is under recession, the consumers buying pattern changes. To modify their buying behavior, the product prices are set less.
❖ Levels of Channels Involved: The retailer has to consider number of channels involved from manufacturing to retail and their expectations. The deeper the level of channels, the higher would be the product prices.

Pricing Strategies

A. Demand-Oriented Pricing Strategy: The price charged is high if there is high demand for the product and low if the demand is low. The methods employed while pricing the product on the basis of demand are:

❖ Price Skimming: Initially the product is charged at a high price that the customer is willing to pay and then it decreases gradually with time.

❖ Odd Even Pricing: The customers perceive prices like 99.99, 11.49 to be cheaper than 100.

❖ Penetration Pricing: Price is reduced to compete with other similar products to allow more customer penetration.

❖ Prestige Pricing: Pricing is done to convey quality of the product.

❖ Price Bundling: The offer of additional product or service is combined with the main product, together with special price.

B. Cost-Oriented Pricing Strategy: A method of determining prices that takes a retail company’s profit objectives and production costs into account. These methods include the following:

❖ Cost plus Pricing: The company sets prices little above the manufacturing cost. For example, if the cost of a product is Rs. 600 per unit and the marketer expects 10 per cent profit, then the selling price is set to Rs. 660.

❖ Mark-up Pricing: The mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price.

The formula used to determine the selling price is:

\[
\text{Selling Price} = \frac{\text{Average unit cost}}{\text{Selling price}}
\]

❖ Break-even Pricing: The retail company determines the level of sales needed to cover all the relevant fixed and variable costs. They break-even when there is neither profit nor loss.
For example, Fixed cost = Rs. 2, 00,000, Variable cost per unit = Rs. 15, and Selling price = Rs. 20.

In this case, the company needs to sell \( \frac{2,00,000}{20-15} = 40,000 \) units to break even the fixed cost. Hence, the company may plan to sell at least 40,000 units to be profitable. If it is not possible, then it has to increase the selling price. The following formula is used to calculate the break-even point:

\[
\text{Contribution} = \text{Selling price} - \text{Variable cost per unit}
\]

❖ **Target Return Pricing:** The retail company sets prices in order to achieve a particular Return on Investment (ROI). This can be calculated using the following formula:

\[
\text{Target return price} = \frac{\text{Total costs} + (\text{Desired \% ROI investment})}{\text{Total sales in units}}
\]

For example, Total investment = Rs. 10,000,
Desired ROI = 20 per cent,
Total cost = Rs.5000, and
Total expected sales = 1,000 units

Then the target return price will be Rs. 7 per unit as shown below:

\[
\text{Target Return Price} = \frac{5000 + (20\% \times 10,000)}{1000} = Rs. 7
\]

This method ensures that the price exceeds all costs and contributes to profit.

❖ **Early Cash Recovery Pricing:** When market forecasts depict short life, it is essential for the price sensitive product segments such as fashion and technology to recover the investment. Sometimes the company anticipates the entry of a larger company in the market. In these cases, the companies price their products to shorten the risks and maximize short-term profit.

C. **Competition-Oriented Pricing Strategy:** When a retail company sets the prices for its product depending on how much the competitor is charging for a similar product, it is competition-oriented pricing.

❖ **Competitor’s Parity:** The retail company may set the price as close as the giant competitor in the market.

❖ **Discount Pricing:** A product is priced at low cost if it is lacking some feature than the competitor’s product.
D. Differential Pricing Strategy: The Company may charge different prices for the same product or service.

❖ Customer Segment Pricing: The price is charged differently for customers from different customer segments. For example, customers who purchase online may be charged less as the cost of service is low for the segment of online customers.

❖ Time Pricing: The retailer charges price depending upon time, season, occasions, etc. For example, many resorts charge more for their vacation packages depending on the time of year.

❖ Location Pricing: The retailer charges the price depending on where the customer is located. For example, front-row seats of a drama theater are charged high price than rear-row seats.

Merchandise Management

Introduction

The efficiency of a retail store is based on the retailer’s ability to provide the right goods of good quality to the consumer, in the right quantity, at the right place and at the right time. The entire process of retailing depends on efficient inventory management. In this unit, you will learn to plan merchandise and merchandise budget.

In the large retail store, we find a dizzying array of goods to clothe our bodies, decorate our homes and entertain our families. All of this merchandise comes in a variety of sizes, colors, makes and models. Bringing it all together requires the successful coordination of numerous individuals and divisions, including buyers, warehouse employees, financial staff, store operations, etc.

The merchandise management process allows the retail buyer to forecast with some degree of accuracy what to purchase and when to have it delivered. This will greatly assist the company in attaining its sales and gross margin goals. Buyers must rely heavily on historical sales data, coupled with personal experience and their own intuition about market trends.

Meaning

Merchandise refers to the goods bought and sold in business. Merchandising refers to the activities aimed at quick retail sale of goods using bundling, display techniques, free samples, on-the-spot demonstration, pricing, shelf talkers, special offers, and other point-of-sale methods.
Definition

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.”

Factors Influencing Merchandising

The following factors influence retail merchandising:

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

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

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

Process of Merchandising

The process of merchandising involves understanding consumer needs, identifying & sourcing of right merchandise, deciding the right assortment, planning distribution of merchandise to different locations in the right quantities, deciding on the pricing, communicating merchandise offerings to the target customers, and taking feedback of consumers.

❖ **Understanding consumer needs:** The merchandiser should understand the different ways in which the consumer presently satisfies the need. Let us assume that the consumer has need for hair care. Based on the study the merchandiser may find that there are various ways in which the need is being satisfied. These may be hair soap, oil, lotion, shampoo, cream and dye. With the help of consumer survey the method product which is most in demand for satisfying the need is ‘shampoo’.

❖ **Identifying and sourcing of right merchandise:** Further, the merchandiser may need to identify the right merchandise for shampoo. For example, in shampoo the merchandiser may find that there are three variants – herbal, medicinal, and regular. The merchandiser based on the study of consumer feedback would like to know, which one is most in demand, or will help the retailer to serve the consumer needs. Suppose the merchandiser decides for ‘medicinal shampoo’. For medicinal shampoo,
the merchandiser needs to identify the right suppliers/sources of this type of shampoo. He/she may like to analyse the brands like Vatika, Sunsilk, Pantene, Head & Shoulder, and Palmolive which can supply the medicinal shampoo.

❖ **Planning the right assortment:** Merchandiser has to plan for the different product sub-categorization. The sub-categorization can be made, based on the consumer need for medicinal shampoo. The shampoo may be used to treat different kinds of hair condition i.e. dull, oily, dry, normal, straight, and curly. Thus, the merchandiser must know based on past trend, experience or survey, the right quantities to be maintained under each sub-categorization. In other words, the assortment should cover needs of different hair conditions.

❖ **Planning distribution to different locations:** Once the assortment is cleared then the merchandiser needs to work out the quantities to be dispatched to different distribution centres. The quantity dispatched should be based on the number of outlets in each location, the minimum stocks to be maintained, turnover ratio, the replenishment time, etc. The logistics for delivery of goods should also be taken into account.

❖ **Providing right quantities:** Once the goods reach the different distribution points, the goods further needs to be sent to each of the outlets in the region. For this the retailer will take into account the consumer requirement in each of the stores based on previous sales trends or its own study of consumer needs. Thus, for each store its requirement in terms of different assortment is worked out and the goods are dispatched.

❖ **Deciding the price:** Once the goods reach the store, the merchandiser needs to decide on the pricing of each of the products/items. Normally, the pricing is decided at the time of assortment stage itself. In case of certain retail chains the pricing may be left to the respective store managers also, the manager will work upon prices as per the guidelines from the chief merchandiser for the product category. The prices are decided based on the gross margin policy for each of the products.
Communicating offerings to target consumers: Once, the goods are on the floor of the shop, the merchandiser will work out the visual merchandising. He/she will communicate such strategy for the given store or group of stores. The merchandiser may provide certain props and signages to each of the store to communicate right messages and offerings to consumers. There could be advertisements in print media or TV or radio or hoardings etc., for giving mass publicity to the offerings.

Taking/understanding feedback of consumers: The merchandising team may decide to take feedback on different brands/items to know consumers reaction to pricing, quality, availability, display, after use effect etc. The feedback acts as a guideline for improving sourcing and assortment, so as to provide maximum satisfaction to consumers.

Merchandise Buying Process

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

- **Step 2 - Determine Merchandise Sources:** Know who all can satisfy the demand: vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).

- **Step 3 - Evaluate the Merchandise Items:** By going through sample products, or the complete lot of products, assess the products for quality.

- **Step 4 - Negotiate the Prices:** Realize a good deal of purchase by negotiating prices for bulk purchase.

- **Step 5 - Finalize the Purchase:** Finalizing the product prices and buying the merchandise by executing buying transaction.

- **Step 6 - Handle and Store the Merchandise:** Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.

- **Step 7 - Record the Buying Figures:** Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

CATEGORY MANAGEMENT

Retail is often termed as a business of responding to change. Today’s retailer is faced with a rapidly changing and demanding consumer, intense competition, and pressures on costs. The combinations of the business condition that exist today and the advances in technology have created an opportunity for the development of new management approaches. One such approach is that of category management.
The core of the category management concept is a focus on a better understanding of consumer needs as the basis for the retailers’ and suppliers’ strategies, goals and work processes.

Definition

Category Management can be defined as “the distributors’ / suppliers’ process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value.”

The components of category Management

1. **Category Definition:** Category Definition is the first step in the process. The definition of the category has a significant impact on the subsequent steps. A category definition should be based on how the customer buys, and not on how the retailer buys. For example, for a grocery retailer, aerated drinks may be one category, ready to cook meals, another and health drinks, a third category. Category definition varies from retailer to retailer.

2. **Defining the Category Role:** The category role determines the priority and the importance of the various categories in the overall business. This aids in resource allocation. Traditionally, four categories have been identified. They are:

   ✓ **Destination Category:** This is the main product offering of the retail store. Examples include fresh groceries at a supermarket and apparel in a department store.

   ✓ **Routine Category:** These are products that a customer buys from the retailer as a matter of routine or habit. Examples include toothpaste, soaps, etc.,

   ✓ **Seasonal Category:** This includes products, which are not purchased very often or are purchased when available and needed. Examples would include mangoes sold in summer, in a super market, and umbrellas and raincoats, in a department store.

   ✓ **Convenience Category:** These are products that a consumer finds convenient to buy at a neighborhood retailer. Examples include products like bread, eggs and even routine stationery. Category roles must be developed with the customer in mind and must reflect the typical consumer shopping behavior. These roles provide logical framework for the allocation of the retailer’s resources, based on its mission, goals, and strategies.

3. **Category Assessment:** In this step, the current performance of the category is evaluated with respect to the turnover, profits and return on assets in the category. It involves an assessment of the consumers, the market, the retailer and the suppliers.
4. **Category Performance Measures:** The development of category performance measures involves the setting of measurable targets in terms of sales, margins and Gross Margin Returns on Investment (GMROI).

5. **Category Strategies:** At this point in the process, the retailers and the supplier know the category’s role; they have assessed the current performance of the category and have set preliminary targets for the category’s performance. The purpose of this step is to help the retailer and supplier to develop strategies that capitalize on category opportunities through creative and efficient use of the resources that are available to the category. Category strategies can be aimed at building traffic or transactions, generating cash, generating profit, enhancing the image or creating excitement.

6. **Category Tactics:** At this stage, category tactics are developed in the areas of assortment, pricing, promotions and the presentation of the merchandise in the store.

7. **Category Plan implementation:** A Specific implementation schedule is developed and responsibilities are assigned. Accurate implementation is the key to the success of the Category Management.

8. **Category Review:** The final step in the business process is the review of the progress and of the actual achievements as against the targets set for the category. Review aids in taking decisions at the right point of time. Category management is considered to be a “scientific” approach to relating in the mature markets, largely because it is date driven and fact based. The successful adaptation of category management at Pantaloon shows us how the returns on the particular product/category can be maximized by keeping the focus on the customer and creating systems and processes within the organization to aid such a focus.
UNIT – IV: Retail Shop Management

Visual Merchandising

Visual merchandising is concerned with presenting products to customers within the retail space. It refers to the efforts undertaken to make a retail outlet attractive to the prospective customers through the art of presentation, with the ultimate aim of selling the merchandise offered. VM aims at selling the image of the retail store and goods and services offered by it. It is a term sometime used as an alternative to merchandise display, but these days visual merchandising is generally understood to have a wider definition encompassing all activities concerned with the presentation of the product within the retail outlet. It includes the choice of store layout, the method of product presentation, the choice of fixture and fittings, the construction of displays, and the use of point-of-sale material.

The main objective of visual merchandising is to make the customer experience memorable along with satisfying his/her needs. It helps in increasing sale and customer satisfaction by creating the right ambience through good visual presentation and store planning.

Visual merchandising educates the customers about the benefits of products and services in the following way:

✓ It establishes a creative medium to present merchandise in 3D environment, thereby enabling long lasting impact and recall value.
✓ It sets the company apart in an exclusive position.
✓ It establishes linkage between fashion, product design and marketing by keeping the product in prime focus.
✓ It combines the creative, technical and operational aspects of a product and the business.
✓ It draws the attention of the customer to enable him to take purchase decision within shortest possible time, and thus augmenting the selling process. It makes easier for the customer to locate the desired category and merchandise.
✓ It makes easier for the customer to self-select.
✓ It makes possible for the shopper to co-ordinate and accessorize.
✓ It helps to highlight and demonstrate particular products at strategic locations.

Importance of Visual Merchandising

A. **Understand the importance of visual merchandising**: The first step to good visual merchandising is to understand how it is important. It will definitely be an asset to
your store and business. With good visual merchandising, you will be able to accomplish your store’s objectives easily.

B. **Tell your store’s story through visual merchandising:** Visual Merchandising gives you the chance to convey to your customers what your store is about and how you can satisfy their needs without being too intrusive. If you are running a high end fashion store, your VM strategy will be different than other economical fashion stores. For example, if the store has a new fall collection, the visual merchandising should portray that to the customers.

C. **Attract customers by being different:** Just using visual merchandising is not enough. You have to invest time and effort on it. The same old tricks do not work anymore, so attract your customers by being different. For example, Instead of hanging garments on hangers or keeping them in racks, hang some of them on hooks from the ceilings.

D. **Tailor your displays to correspond with the kind of customers you attract:** A good visual merchandising is the one that has been done keeping in mind the objective of the store along with the needs of the customers. You should keep in mind that your VM strategy should give your customers ample opportunity to browse through your products and convert them into sales. For example, a toy store which gives a chance to the kids to touch and feel the products/ play with them, will always do better than a store which keeps its products in closed boxes, out of the kid’s reach.

E. **Keep your visual merchandising dynamic:** The human mind gets bored easily, hence, if the display of the store is constant without any novelty, it will not attract enough customers. Keep changing your displays daily or at least once in 3 days - the more dynamic your visual merchandising, the more it attracts the customer. It also increases the awareness of your products by giving you the chance to display more products.

F. **Use it to fulfill the stores objectives:** It is important to understand the power of visual merchandising. You can use it to your advantage in achieving the store’s objectives. For example, if your objective is just to get more footfalls other than coveting sales, make use of displays. Put up eye catching displays which say ‘Walk in to get free vouchers, etc. These are just a few of the various elements that you can use to increase your store’s awareness and sales through visual merchandising. Passion for creativity and design along with coming up with new ideas, are essential to ensure a good VM strategy.

**Objectives of Visual Merchandising**

The main objectives of visual merchandising are to support selling and to coordinate marketing activities.

i) **Support Selling:** Visual merchandising facilitates sales by:
1. Communicating and reinforcing the store brand image. Visual merchandising displays and designs should be designed keeping in mind the target customers (their lifestyle, values, educational background, income group, etc.)

Figure: Visual merchandising – a supporting activity

2. Informing the prospective customers about the various merchandise available in store

3. Generating excitement through window displays and in-store ambience to encourage more customers to enter the store especially during special events (like SALE, festive season, new product launch, etc.)

4. Cleverly place merchandise category adjacencies and strategic merchandise presentations and displays, not only help make sale in one category but also help cross merchandise.

5. Well planned fixture Plano-grams help save staff time while stacking and rearranging merchandise, which they can use to attend to a prospective customer.

ii) Co-ordination

Just like all the departments in a retail organization work towards the advancement of sale so does the visual merchandising department. VM department does not work in isolation and has to be in synchronization with the company policies, retail merchandise to be sold (e.g. merchandise introduce/discontinued), special offers (e.g. discount sales), marketing policies, etc.

A Visual merchandiser should hence co ordinate his activities and time line with the other departments in the organizations.
**Merchandising department:** The visual merchandiser must be aware and understand the merchandising department’s selling strategy, including which merchandise is availed at which store, the date on which they will be made available, etc. This will help the VM to design VM plans/designs that will reinforce the sale strategy.

**Advertising/ Marketing department:** It is fruitless if the marketing department advertises some merchandise, and customer cannot locate them in the store. Hence the VM should work in coordination with the marketing team. Furthermore to create greater sales impact and greater recall value the Visual Merchandiser should try and repeat any special characters or symbols used by the marketing department.

**Operations department:** Coordination with the operations team is a key, when it comes to the execution of the VM plans. Centrally manufactured props may need to be transported to the individual store as well as maintains of the shop floor and the display props need to be looked after.

**Floor Staff:** Store floor staff is one of the best sources to know about the customer behavior at the store. They can give a visual merchandiser valuable information about which product are the hot sellers and which ones are the slow movers.

**Figure: Coordination of visual merchandising**

**Elements of Visual Merchandising**

A visual merchandiser has to work with various elements of VM to bring about the desired action (purchase) and reaction (satisfaction, to return for another purchase at a future date) from the customers. These elements are as follow:

a) Store front
b) Store layout

c) Store interior

d) Interior display

a) Store Front: The exterior of a business comprises the following:

i) **Marquee:** It is a sign that is used to display the store name

ii) **Entrances:** These are designed with customer convenience and store security in mind. There are several types of entrances each portraying a certain image: Revolving – upscale stores, Push-Pull – full service stores often with fancy handles, Electronic – Self-serve stores, with carts such as Wal-Mart, Kroger etc. Climate Controlled – shopping malls.

iii) **Window Display:** Window displays act as an introduction of what will be found inside the store. Given the fact that a pedestrian takes only a few seconds to consider a store window, a window display should be well planned to make the most impact. Main intention should be to capture the attention of the passersby. It begins with the selling process even before the customer enters the store and suggests the type of merchandise carried in the store.

b) Store Layout: Store layout describes the overall look and feel of the interior of a retail store, including the placement of fixtures and products within the store. It is an important part of implementing retail store strategy. Effective layouts are designed to expose customers to the most products possible given the amount of floor space available. It refers to the way the floor space is allocated. It is of four types.

   a. **Selling Space:** It includes: Interior displays, Sales demonstration areas, Sales Transaction areas (wrap desk)

   b. **Merchandise Space:** It is allocated to items that are kept in inventory, Selling floor, and Stock room area.

   c. **Personnel Space:** It refers to space for employees, break rooms, lockers and restrooms.

   d. **Customer Space:** It refers the space meant for comfort and convenience of customers. It includes: Restaurants, Dressing rooms, Lounges, Restrooms, and Recreation area for children.

c) Store Interior: In-store displays should be in line with the window display in terms of theme and props. In-store displays can be further categorized into:
i) **High points:** When a display is placed above the eye level to be viewed from a distance is called a high point. They are usually on the top shelf of the walls fixtures featuring the merchandise stacked/hung on that wall. They are used to demonstrate the use of this merchandise and inspire the fashion. Trends. They can also be used to cross merchandise.

ii) **Focal points:** Focal points are dedicated areas within the store for displays. They display the merchandise stacked around that area which may be from different departments. They are good source to encourage cross merchandising.

iii) It affects the store’s image and includes the items such as: Floor & wall coverings, Lighting, Colors, and Fixtures. It is important to create a relaxing, comfortable place for customers to shop. **Interior Display:** These are the part of general store interior. It helps the customer to make a selection without personal assistance. Interior displays use fixtures and props to showcase merchandise. Props are generally classified as decorative or functional. Functional Props refers to practical items for holding merchandise such as mannequins and shirt forms whereas the purpose of Decorative Props is to enhance merchandise items such as trees, tables, cars.

Interior display may be of different types.

- ✔ **Closed display:** Examples are Look but don’t touch, require sales person assistance, Expensive or fragile merchandise, and Jewelry cases.

- ✔ **Open Display:** Examples are to handle merchandise without a salesperson, Self-service, etc.

- ✔ **Architectural Display:** Examples are: Actual room setting and Furniture.

- ✔ **Store Decorations:** It refers to decorations for holidays such as Christmas, Halloween and Valentine’s Day.

**SPACE MANAGEMENT / RETAIL LAYOUT**

Space and inventory are the two most important resources of the retail firm. The best possible allocation of the store space to departments, product categories, storage space and customer space is a major challenge for the owners and managers of the store. Retailers acknowledge the importance of space management for the success of business. It has two ways bearing on retail business - it not only attracts business by ensuring convenience to customers but also places the merchandise in accordance with the salespersons’ work allocation. The key objectives of retail space management are:

- ✔ To obtain a high return on investment by increasing the productivity of retail space. This requires effective utilization of space for merchandise display and customer movement.
❖ To ensure compatible, exciting, and rational interface between customer, merchandise and sales people.

The space management decision also has an important influence on sub-decisions like:

❖ Location of various departments

❖ Arrangements between departments within the shop-floor

❖ Selecting the layout with customer behavior in mind

❖ Planned traffic flow of customers

Retail space management is one of the more crucial challenges faced by retailers today with an ever expanding volume of data to which they must refer when making decisions. Problems have emerged that are intractable using traditional means but for which interactive information visualization shows much promise. These problems or tasks are exploratory in nature and use temporal multivariate data. Department stores must maximize and optimize return on allocated retail space. Although product sales are readily available, the missing link for most retailers is a precise understanding of each store’s layout in relation to its capacity and performance.

Visual Space Management (VSM) with a multiple-linked view application explores retail data related to space performance. Multiple-linked view application integrates familiar information visualization representations and a 3D interactive layout of store floor plans with retail data sources. Parallel coordinates plot serves as a multivariate visual control panel in the coordinated system. Seasonally retail data analysis is performed simultaneously in linked views through time. Visual inquiry methods are supported for conditioned temporal multivariate data.

**Definition**

Retail space is the last stop in the manufacturing chain, the spot where merchants sell products to customers. Retail space differs from other commercial properties, such as industrial or office space, in that the emphasis is on product display and customer accommodation.

**Managing Retail Space**

As a retailer one of your greatest assets is ‘space’. However in many situations the amount of space you have is a finite resource so the asset has to be sweated – in other words made to work harder for you! It needs to be well managed.

**What should be your space management objectives?**
It goes without saying that space needs to be used effectively. This means providing a logical, sensible, convenient and inspirational customer offering and making sure that the right products are available at the right time.

**A Management Process**

‘Space management’ needs to be viewed as a management activity in its own right with rules of good practice and correct processes to follow. It should not be a random ‘ad hoc’ activity! First you need to measure the total amount of space available and divide this available space into selling areas, and non-selling areas (paths, till points, storage etc). Once you have obtained a figure for the total amount of selling space available, you then need to allocate space to each product category. The amount of space devoted to each product category will be determined generally by historical data or forecasted data.

Having allocated space to each product category the next stage is to determine the location of the product categories within the space available and to decide on product adjacencies – what will go next to a particular product category. Some products of course require a disproportionate amount of space (such as garden furniture), others such as seeds can withstand a disproportionately smaller area. At this stage it is also important to consider the life cycle of the product category if the products are on the wane do you want to give them so much space? Could the space be replaced with a product that still has growth potential? Finally space needs to be allocated to each product line within a category. That, in very simple terms is how you determine how to use your space. Of course in reality it is much more complicated than I have suggested here but the principle remains the same. Space allocation must be considered thoroughly and if it can be done in conjunction with historical sales data then the entire better.

**How to View Products**

A good way of viewing products and determining their space allocation is to consider them under 4 broad categories. They are:
❖ **Profit Builders:** These are product categories with high profit margins but low sales. The space needs to be adjusted so that you focus on quality space rather than quantity space – so putting these products in a secondary hot spot might just pay off.

❖ **Star Performers:** These are product categories where sales and profit margins exceed targets. You therefore need to give them a large amount of good quality space – primary hot spots. You should consider increasing the number of products within these categories.

❖ **Space Wasters:** We all have these I’m sure! They will generally be product categories that have low sales and low profit margins! Do you need them? If you think you do then they should not be displayed in primary and secondary locations. Consider putting them at the top or bottom of shelves, but make sure that they are well signposted.

❖ **Traffic Builders:** These are product categories that have good level of sales but profit margins are small. These products need to be displayed close to impulse lines but also work on improving their margins – maybe negotiating better deals or charging a higher price.

**RETAIL INVENTORY MANAGEMENT**

The retail industry can be extremely competitive and one of the biggest challenges is managing a store’s retail inventory. Businesses need to have space to store a wide number of products along with a wide variety. If a retail store does not carry enough of a product, then they are losing potential customers who will shop elsewhere.

Retail inventory is different from other forms of inventory because of the quantities needed. Retail chains need warehouses to keep all of their stock and the means to transport it to their stores. Keeping up with such large quantities can be difficult for anyone, even with the help of an automated system. To track a company’s products, a retail inventory management system needs to be successfully implemented.

**Retail Inventory Management**

Retail inventory management is the process and methods used to keep track of the stock in a retail business. These methods control everything from ordering, shipping, receiving, tracking inventory, retail turn-over, and storage. Retail inventory management can help keep a business’ profits at a steady margin as well as reducing theft and loss of inventory. Many retail businesses lose money every year because they do not have a successful inventory management system in place.

Retail Inventory Management should provide the following functions for a retail business:
• Track and manage all of the inventory for the business
• Keep up with store markdowns
• Evaluate how well some groups of products do in sales
• Provides analysis for comparison shopping with competitors
• Collect data on the sales and inventory of individual stores using SKU
• Allows you to accurately review your inventory

Manage Inventory in retail

Most businesses use some form of computer software to manage their inventory. Unless the retail business is very small, doing it manually would be very impractical, especially for large companies that deal in thousands of individual products.

A business that has a successful system for retail management will allow the business to keep a sufficient amount of stock to meet customer demand. If a business does not have enough inventories, then it can slow down cash flow. Too much inventory can cost business money and take up more room.

When dealing with retail inventory management, companies will utilize one of these systems:

• **Point-of-sale terminals** – These are check-out points that automatically update a company’s inventory levels.

• **Job costing and inventory systems** – Another automatic system that updates computerized levels of inventory.

• **Barcodes and readers** – Every product these days contains a barcode with the items information. Barcodes makes it easy and quick track stock.

• **Electronic Supplier Product catalogs** – This system can update inventory levels automatically through either the internet or media disk.

Managing retail inventory involves several characteristics and steps. One of the most important steps is to make sure that you always remove products from the system as soon as they are sold. The same is true for receiving shipments of new stock. Make sure you record it as quickly as possible.

Physical inspections should be regularly performed to make sure the computerized system is accurate with what is actually in stock. A physical inspection involves manually looking over the stock to see that they numbers match.

Review sales reports weekly. You want to do this to see what is selling and what is not. Products that spend more time on the shelf should be re-evaluated or discounted to get rid of them.
Another step is to research to find the right products to sell. Businesses should come up with a target market and try to carry the right type of inventory to meet that target. To make sure that you have the right product in your stores, you need to know what type of products to order and how much, when to order, and when the products should arrive.

Keeping up with retail inventory management should be delegated to several individuals or a department. Supermarkets that have both grocery and non-grocery items have separate departments for each. By delegating inventory into smaller groups, it allows the individuals in charge of their group to have a better understanding of what stock is available and how well it sells.

**Prevention of Inventory Theft and Loss**

One of the biggest problems to plague retail inventory is theft and loss of retail products. Every time this happens, it costs business money. Preventing inventory theft can be difficult. But with the right system, we can reduce it by following ways:

- Do not share or hand out the same password for every cashier. Having separate passwords and log-ins tells who was manning the register at certain times.

- Always check out any transactions that were voided or canceled. This is a common way for inventory to disappear from a store.

- Set up a password-protected security on all computers and systems. Only when employees absolutely must have access should it be granted.

- Go over inventory reports every day to make sure sales figures match with the current quantities.

- Make sure the back door has a security alarm system that is activated every time the door is opened without authorization. If employees know the door should not be opened without permission, they shouldn’t open it.

- Inspect the garbage every night before it goes out. Use clear plastic bags so that you can easily see inside the bag and make sure there is no inventory hidden inside.

- Set up security cameras not only in the store but in the back storage as well. This allows you to keep an eye on items out on the racks as well as in stock.

**RETAIL STORE BRANDS / PRIVATE LABELS**

A private label brand, often referred to as an *in-house brand* or *store brand*, is that which is owned by the retailers themselves. A Brand that is owned and marketed by a retailer business involved in selling goods or services directly to final consumers for their personal, non-business use is called Retail Store Brand.
According to retailers, it is that consumers trust a retailer brand to sell quality products. People buy goods from a chosen grocer, from whom they buy loose biscuits, rice, cooking oil and other staples because of the assurance of right price and quality. The success of private labels finds its roots in this practice. The product retains its price attractiveness. Private labels tend to be 5 to 20 per cent cheaper than established brands. Since retailers are able to cut out middlemen, they pass on the cost benefit to consumers.

Retailers also get the upside. They not only make more profits by selling private labels than the brands (margins are 60 per cent more than what they get from FMCG companies), these labels help differentiate themselves from their rivals. And in the long run, they can use the private labels to attract customers. Private labels started with retailers wanting to offer cheaper substitutes. This was for two reasons:

❖ One, having a private label meant that retailers could negotiate a better margin from the manufacturer.
❖ And the other, when they had private labels it was a differentiating factor.

Retailers are now doing everything it takes to create premium brands. They advertise on television, take up brand-building exercises, and most importantly, they focus on developing a better product than the existing manufacturers’ brands. The same is expected to happen in India as Indian organized retailing matures over a period of time. And this is expected to happen faster than other developing countries.

The major advantage coming with a private label to retailer is that is the factor of differentiation that a retailer can have with private labels. But in order to create such differentiation the retailer should be successful in positioning the private label against the national brand in such a way that a private label should be considered as equivalent as or better than the national brand. So reaping the benefit of such differentiation is a long term strategy for a retailer, as creating a private label as equivalent as or better than the national player is a long term process and involves a lot of commitment in terms of time and efforts from the retailer.

Factors to be considered while going for private labels

Private labels won’t work by just keeping the products cheap. Retailers must look at developing good quality and value-added products. Also, they must make sure that they don’t over exercise the private label option. If they fall into the trap of using too many private labels, they will end up losing customers. It has been seen that when retail chains rely heavily on private labels, customers feel they lack choices. Many retailers have suffered due to this.

By this it can be understood that a retailer need to be careful when he is coming with more number of private labels in his stores. Customers expect more choices; they need private labels along with various national players in a product category. Even if the private
labels are doing good sales as compared to national brands, the retailers need to focus on national brands in order to retain the customers for long run.

Private Labels in Indian Retail

In India organized retailers like Bharti Retail, Aditya Birla Group, Shoppers Stop, Megamarts, Nilgiris, Pantaloon Retail India Limited and Godrej are some the important retailers who have come out with private labels.

1. Bharti Retail

Bharti Retail, Wal-Mart’s joint venture partner in India, have bought eight private label in total including Great Value line of food (flour, dry fruits, spices, cereal, and tea), George Apparel. The Private Label lines are going into the Cash and Carry format (Best Price Modern Wholesale) and discount convenience (Easyday). Equate, a brand for pharmacy and health and beauty items, has been introduced only in the hand wash category as of now in Easyday stores.

Other Wal-Mart private labels introduced in India include Home Trends (home furnishing), Mainstays (plastic containers, kitchen accessories), Kid Connection (toys, clothing), Faded Glory (footwear) and Athletic Works (athletic shoes, equipment) and Astitva, a line for Indian ethnic wear.

2. Aditya Birla Group

More retail out lets from Aditya Birla Group offers Feasters brand (fruit squash, biscuits, fruit syrup, Instant Fruit Mix Powder, Noodles). More Brands (various grocers). 110 Per Cent (toilet cleaners, detergents, soaps,) and Paradise Room and Air Fresheners, AU79 (Deodorant) and Fresh-O-Dent toothpastes and toothbrushes.

3. Shoppers Stop

Shoppers stop offers Kashish, Haute Curry, Vettorio Fratini and Elliza Donatein private labels in its products offerings. Life’ T-shirts for men, while ‘Stop’ as ladies western wear.

4. Vishal Megamart

Vishal Megamart’s offers salt and toothbrush under its ‘Vneed’ brand.

5. Pantaloon Retail India Limited
Pantaloon Retail India Limited offers “Fresh n Pure, Clean-mate, Tasty Treat, Care-mate, Sach brands in food and FMCG; DJ&C, Knighthood, John Miller brands in men’s apparel; Tasty Treat in food segment; In the baby diapers segment Care Mate; In the Electronic Bazaar offers refrigerators, washing machines, air conditioners, fans, toasters, kitchen mixies in the brand name KORYO.

RETAIL MANAGEMENT INFORMATION SYSTEMS

Retail management information systems include the use of hardware, software and procedures to manage activities such as planning, inventory control, financial management, logistics and point of sale transactions.

Information Technology (IT) refers to the management and use of information using computer- Notes based tools. It includes acquiring, processing, storing, and distributing information. Most commonly it is a term used to refer to business applications of computer technology, rather than scientific applications. The term is used broadly in business to refer to anything that ties into the use of computers.

Mostly businesses today create data that can be stored and processed on computers. In some cases the data must be input to computers using devices such as keyboards and scanners. In other cases the data might be created electronically and automatically stored in computers.

Importance of IT in Retailing

Information technology is one of the greatest enablers of the Collaboration between the vendor and Retailer. Wal-Mart, the largest company in the world with more than 2,700 stores and $ 217 billion in revenue last year, gets a major competitive advantage from the efficiency of its electronic product information, ordering, supply-chain management and delivery systems. It possesses the influence to get manufacturers into collaborative E-business, because it can represent 5% to 30% of a manufacturer’s total business.

Wal-Mart requires every manufacturer to manage its own in-store inventory and uses EDI networks and its private collaborative trading hub, Supplier Link, to consolidate global purchasing. It brings 10,000 suppliers online to bid on contracts and communicate sales and inventory data. Wal-Mart also uses its networks to manage its Supply Chain and Logistics. In this kind of an environment, greater data transparency and information sharing as well the speed of response cement the supplier-retailer relationship.

The same is the case with 7-Eleven Inc., with over 30,000 suppliers in all-different sizes. Even in the fashion conscious sectors of Retailing, the use of IT helps. Payless’ sources nearly 80% of the 250 million pairs of shoes sold through its 5,000 stores from Asia. This represents challenges in a style-oriented business. The shoe business is very fashion driven. Many products have short lifecycles like 13 weeks. Payless is concentrating on a core
vendor/core factory programme to achieve production efficiencies and stay ahead of fashion trends. The speed of interacting, enabled by IT helps in competing with similar stores in the shoe business.

Computers have replaced cash registers for billing. The bar coded products using UPC and EDI are scanned for billing. The importance of information technology in retail sector stems from the importance of data. Data is nothing but information which aids decision-making.

The use of technology aids data collection. Data can be collected about consumers, frequency of their buying. This can help a retailer in distinguishing customers. The use of information technology serves as a basis for integrating the functioning of various departments. With an increase in the number of outlets, collecting and analyzing information becomes indispensable.

Technology plays crucial role in this regard. Technology has been applied to some of the unique requirements of the retail business like the need for product identification, the need for quick billing and settlement of bills electronically and specialized logistics applications. Modern technology is making information required for retailing decisions ever more accessible.

It is possible to track customer buying behaviour and better analyse and understand what customers want. The integration of various modern technologies is allowing companies to access valuable information.

**Integrated Systems and Networking**

The technology has now become an essential tool for retailing. Some of the important applications of technology in retail sector are as follows:

1. **Marketing Information Systems (MIS):** The term ‘Marketing Information Systems’ refers to a programme for managing and organising information gathered by an organisation from various internal and external sources. MIS assesses the information needs of different managers and develops the required information from supplied data in time regarding competition, prices, advertising expenditures, sales, distribution and market intelligence, etc. Information sources for MIS include a company’s internal records regarding marketing performance in terms of sales, and effectiveness and efficiency of marketing actions, marketing databases, marketing intelligence systems, marketing research, and information supplied by independent information suppliers.

2. **Radio Frequency Identification Device (RFID):** In a retail store, RFID assists in inventory management. All items in a retail outlet sport read-only tags that contain the product code and its description, including the batch number, expiry date and price. The shelves, exit gates, and warehouses are fitted with sensors that read the
information from the RFID tag and help in updating the inventory system in real-time. This way it helps in total asset visibility and tracks the inventory stocking. It also ensures better process control for products in the store. In warehouses and container depots, containers are marked with RFID chips that contain details of origin, destination, and other details. Entry and exit gates, vehicles, and cranes are fitted with an antenna that senses the RFID tags, and records and updates the system to check for any deviation in the schedule. With precise tracking of the location of pallets and containers within the warehouse, it is easy to pinpoint unscheduled movements. The system also considerably helps reduce costs and time for check-in and checkout.

3. Networking: In the world of computers, networking is the practice of linking two or more computing devices together for the purpose of sharing data. Networks are built with a mix of computer hardware and computer software. Networks can be categorized in several different ways. One approach defines the type of network according to the geographic area it spans. Local area networks (LANs), for example, typically reach across a single home, whereas wide area networks (WANs), reach across cities, states, or even across the world. The Internet is the world’s largest public WAN.

**ELECTRONIC-RETAILING / (E- RETAILING) / ONLINE – RETAILING**

E-tailing is the selling of retail goods on the Internet. Short for “electronic retailing,” and used in Internet discussions as early as 1995, the term seems an almost inevitable addition to e-mail, e-business, and e-commerce. E-tailing is synonymous with business-to-consumer (B2C) transaction.

E-tailing began to work for some major corporations and smaller entrepreneurs as early as 1997 when Dell Computer reported multimillion dollar orders taken at its Web
site. The success of Amazon.com hastened the arrival of Barnes and Noble’s e-tail site. Concerns about secure order-taking receded. 1997 was also the year in which Auto-by-Tel reported that they had sold their millionth car over the Web, and Commerce Net/Nielsen Media reported that 10 million people had made purchases on the Web. Jupiter research predicted that e-tailing would grow to $37 billion by 2002.

E-tailing has resulted in the development of e-tail ware - software tools for creating online Catalogs and managing the business connected with doing e-tailing. A new trend is the price comparison site that can quickly compare prices from a number of different e-retailers and link you to them.

E-tailing is gaining ground. In the year 2003, clothing and apparel segment clocked online revenues to the tune of $ 3.6 billion. Online retailing is classified into three main categories:

- **Click:** The businesses that operate only through the online channel fall into this category. Prominent examples in this category include: Dell, Amazon.com and e-Bay.
- **Click and Brick:** The businesses that use both the online as well as the offline channel fall into this category. Common example includes: Barnes and Noble’s.
- **Brick and Mortar:** This is the conventional mode of retailing. The businesses that do not use the latest retailing channels and still rely upon the conventional mode belong to this category.

E-tailing offers the consumers huge amounts of information in the form of web sites with useful links to similar sites that allows consumers to compare products by looking at individual items.

The convenience of online shopping is unmatched indeed. Shopping out of your home or office reduces the stresses of waiting in lines and dealing with irritating sales people. However, Retailing causes problems with fit, since the consumer cannot try the items on. Return policies may also act as turn offs and items can be difficult to return. The shipping and handling costs may turn the customers away. e-tailing requires technology savvy customers and this puts a limit on its potential reach. We can see that E-tailing is emerging as an interesting phenomenon in the retail industry that is on a rise despite the disadvantages associated with it.

**According to a recent study:**
Presently there are 4 million Internet users in India and the number is growing. Computer Hardware, cinema, Books, Music cassettes/CDs, travel tickets and gifts are sold through the net in a big way.

**Role of Web:** It is a well-known fact that the retail industry always works on very narrow margins and the key to survival lies in optimization of resources both in space and time dimensions as well as maximization of customer satisfaction. Access to timely and even real-time information to a wide variety of channel and trading partners, sales personnel, line managers, store managers IT etc. is the key to achieving this. Web services technology holds out a lot of promise for the retail industry in this respect. It is a platform-neutral, easy to deploy set of standards for achieving **business** data and process integration, without going for proprietary point to point connections. It promises to connect the information providers and information consumers across a wide variety of platforms, devices and on an on-demand basis. Being based on service-oriented architecture (SOA) principles it can also form the enabling service interface layer for other emerging technologies like BAM, BPM, mobile and RFID.

**Online Retailing – Advantages**

E-tailing offers unique advantages to the consumer that no other form of retailing can match. The hypertext nature of the medium allows for more flexible forms of transactions (growth of C2B and C2C) to flourish. It allows for easier comparisons across broad product categories with the evolution of shopping bots and similar mechanisms.

The medium also offers flexible / dynamic pricing mechanisms to the consumer. These evolutions reduce any friction in the online market place and stimulate the use of the web as a retail environment. In the long-run, this will benefit the marketers as well as the consumers. Further, this will penalize the marketers who thrived in market places that had entry barriers in the form of a lack of freely available information. Earlier, such a situation restricted the customers in making informed choices and led to inefficient pricing and localized monopolies. Reasons for e-tailing coming up as a hot avenue in the retail sector can be attributed to multiple factors such as:

❖ **No Real Estate Costs:** E-tailing does not require a retailer to invest in warehouses, showrooms or other commercial properties at prime locations. They operate through their web sites and thus save drastically on the real estate costs. The real estate costs in the metropolitan cities can be prohibitively high. Moreover, maintenance costs of a virtual store are negligible in comparison to a physical store.

❖ **Easy and Comfortably:** The Internet offers easy and comfortable access to all the required information by a customer. Over the Internet, product information is just
a few clicks away, easily accessible from the comfort of a home. Traditional retailing is quite cumbersome in contrast to e-tailing. It involves frantic search for the required product, running up and down the retail store, asking the poorly trained store assistants for help. The process involves significant wastage of valuable time. Simply put, shopping on the Internet for fifteen minutes is equivalent to a two-hour trip to the mall. Consumers prefer to save their precious time so that they can better utilize it.

❖ **Customer Interaction:** The greatest benefit of online commerce is its ability to interact with the customers. Such an interaction allows the retailers to reach the individual customers and react appropriately to their responses. Interaction acts as a vital tool for mass customization. The common examples include online marketing of books, flowers, software and education. This has also led to greater satisfaction among the online buyers. According to a research agency, 81% of the buyers were found to be highly satisfied with their online purchases.

❖ **Mass Media:** A supermarket is limited in its area of operation. It caters to a specific geographical location such as a city and/or its suburbs. However, a web site is globally accessible leading to a worldwide reach and an increased potential customer base.

❖ **Search Option:** With web search capabilities (which need further development) it is easier to find the particular types of goods required by a customer. The consumer decides what he wants to buy rather than the retailer offering what he wants to sell. This ultimately translates into consumer empowerment.

❖ **User Friendly:** Customers can execute transactions via the same medium the information is provided, so there is no disconnect between the desire to purchase and the ability to purchase. (Payment schemes are still evolving and therefore this advantage is likely to become more apparent in the future.)

❖ **Effective Price Discrimination:** E-tailers can use price discrimination in an effective and efficient manner. E-tailers can use previous transactions to identify the likelihood of products being purchased at certain price points and use this information for price discrimination.

❖ **Customized Product Placement:** E-tailers can change the online placement/display of a product based on the previous transactions so to increase the visibility of goods that the user is more likely to buy based on the previous encounter at the time purchase. This allows a contextual design of placement to ensure conversion of a visit(hit) to the web site into a sale.
❖ **Global Reach:** Customers have a much wider choice at their fingertips (a variety of e-tail sites to choose from etc.) In this way, the web creates a global market place that brings together multiple consumers and retailers.

**Factors to be considered in Developing Website:** You, as a retailer, must remember the following:

- **Goals and Objectives:** It is absolutely necessary to identify your goals to be able to create a website that will rightfully and successfully serve its purpose. Make a list of items that you aim to accomplish through the website. Short term and long term goals must be taken into account; both will be useful for further development and adaptation of the website design. Having clear and outlined goals at the start will be useful in identifying if you have achieved your goals, the rate of which you have progressed, and what is in need of further advancement.

- **Target Audience Notes:** Just like every business needs to identify their target market, you need to identify your target audience. They are the people whom you expect to bring traffic and revenue to your website. Your goals will have an effect on who would most likely visit your website. You also need to know what common characteristics your target audience would have in order to specify what they need that you can give satisfaction to. Would your website be aiming to connect to an adolescent, to an adult, or to both?

- **The Content:** After specifying your goals and identifying the targeted audience, the next step is to assess what content your web site should have. Create a list of contents that would appeal to your target audience then gather the data. Sort out the contents according to your audience’s wants and needs. It is advisable to experiment or do a survey to find out if your content satisfies the needs of a focus group that matches the characteristics and needs of your targeted audience. Each content should be categorized under what need it will fulfil and what page of the website it shall be included. Content planning and organization is where you should put ample time and effort into conceptualizing and creating.

- **Browser platform:** Different browsers have numerous compatibilities and restrictions. A web site that is primarily designed for internet surfers will dictate the use of XHTML 1.0 format, a display resolution of 1024 x 768, and CCS Level 1. The Internet Explorer (IE) is not compliant to W3C standards hence unlike Mozilla Firefox or Opera. A W3C compliant browser will most likely increase the possibility of more site visitors and broaden your options in what scripts or programs to use in for design. The browser can also restrict what image file formats you may be able to use for your website. After carefully considering the previously mentioned points, you can now begin to document the actual design and structure of your website.
Considering what extent of end user interaction is also important. Do a second survey with the control group and gather data on how the website faired in satisfying their needs and wants and what points or areas should be improved. Apply the necessary pages then publish your website. If you follow these guidelines, you will have more chances of having a successful web site.

Limitations of Web

Most of the retailing ventures on web have not been as profitable as they were expected to be, the primary reasons were:

- **Security issues**: Security issues hold the center stage when it comes to consumer concerns while shopping through the online media. A lack of trust and privacy concerns prevents a lot of consumers from making online purchases. Consumers are also concerned with the use of their personal data provided during the online transactions.

- **Customer retention**: In e-tailing, an increase in the customer retention by 5% leads to a corresponding increase in profits by 25%. Most of the people buying on the Internet do so out of curiosity and this makes a repeat purchase highly unlikely.

- **Unsuitable for certain product categories**: In case of product categories that require relatively higher customer involvement, the e-tailing route is found to be grossly inadequate in providing sufficient information to the customers. Examples include retailing

- **Shopping is still a touch-feel-hear experience**: Some do not suffer from ‘time-poverty’ and shopping is still considered to be a family outing. Hence this type of an environment creates a problem of customer retention.

- **Complicated medium**: Ease of use is a problem, as the web design may suffer from high complexity bordering on total chaos in some cases.

- **Navigation hiccups**: E-tail stores do not have standardized designs in comparison to the physical retail stores and product catalogs. Therefore different user behaviors (navigation schemes) need to be learned for each e-tail store. This is a temporary issue as the evolution of the web continues.

- **Website design flaws**: Graphic presentation and aesthetics may not be as compelling for a web site as in case of a physical retail store or a product catalog. This is a temporary issue that may resolve with the evolution of the web design.
- **Limited access to the Internet:** Not all customers have access to the web, as they do to the postal system. This is a temporary issue as the evolution of the web continues.

**RETAIL ACCOUNTING AND AUDIT**

*Retail Accounting* is a form of accounting that lists all stock at its final retail price, rather than the actual price paid for stock. It can be a useful tool for detecting loss, damage or theft of stock. However, it only provides limited details and is not a substitute for traditional accounts.

**Traditional Accounts**

Most forms of accounting involve recording every transaction at its actual cost. For example, a store might pay $100 for a box of 10 T-shirts. It may then sell seven of these T-shirts at $15 each. It will then have $105 in cash and stock worth $30, a total of $135, meaning the overall assets figure is $35 higher than at the start of the process. The remaining stock is valued at the wholesale purchase price, even though it will (hopefully) eventually sell for the retail price.

**Retail Accounting Concept**

Retail accounting means that at every stage of the accounts, the company lists inventory based on its final retail price. In the T-shirt story example, the purchase of the box of 10 T-shirts would be listed at $150 (10 x $15) even though the firm actually paid $100. After selling the seven shirts the company would list a cash balance of $105 and stock with a value of $45 (three t-shirts x $15). This adds up to $150, matching the original $150 spent on stock.

**Theft Detection**

The main purpose of retail accounting is to track disparities in stock. This can be done simply by keeping track of changes in inventory value, expenditure and revenue from sales, all calculated based on final retail price. If, in the T-shirt example, the company ended up with a cash balance of $105 and stock with a value of $30 (two T-shirts x $15), the total is $135. This does not match up with the recorded purchasing expenditure of $150. The disparity shows that either stock has been lost or stolen, or that the revenue from a sale has been stolen or mislaid. While in this example the chances are the missing T-shirt would have been easily detected, the retail accounting technique can make it much easier to detect disparities when dealing with multiple lines of products at varying prices.

**Limitations**

The retail accounting system only works with physical stock and isn't compatible with services. It also fails to provide details of the profit levels that the company makes in buying
and selling the stock, or other operating costs such as store rental and staff costs. This means it is not a substitute for full accounts and instead can only be used as an additional task.

RETAIL STORE AUDIT

There are many factors that are challenging in conducting a retail audit. Many businesses with limited budgets and multiple locations are now turning to technology to manage the colossal amount of data associated with conducting a store audit. It is important for each business to explore its priorities and evaluate the current audit process and where it can be improved. Businesses adapting mobile technology into the retail audit process are those looking for ways to enhance audit productivity, make improvements in audit reporting and to expand communication for operational effectiveness.

Retail audit programs have delivered leading companies crucial insights on the successful implementation of their trade-marketing, pricing and campaign strategies.

Importance of Store Audit

❖ Identifies action steps for store management to drive revenue and reduce costs
❖ Provides training for store management and associates
❖ Fosters a culture of accountability and integrity
❖ Identifies leading practices and potential enhancements to store policies / procedures and controls
❖ Provides opportunities to solicit feedback from store personnel
❖ Identifies gaps in brand consistency and service delivery across all stores
❖ Measures operational performance and provides visibility into key performance indicators, which enables management to make informed business decisions
❖ Prevents potential legal fines or penalties by proactively identifying issues
❖ Assists in the prevention and detection of internal and external theft

Purpose of Retail Audit

Some retailers assign responsibility to perform store audits with one function, while others use a combination of functions. The graph below depicts the various departments that typically have store audit responsibility. Each department is typically ranked from 1-5 according to its relevance with five potential considerations:

✓ Capable of performing store audits for low costs (travel, salary, etc.)
✓ Knowledge of store procedures and operations
✓ Experience performing audits and understanding sampling methodologies

✓ Being independent and able to produce objective and unbiased results

✓ Capable of identifying trends and raising issues to senior management for issue resolution.

The graph indicates that each function has several advantages and disadvantages. For example, “Store Management” can perform these audits at a low cost with strong understanding of store procedures and operations. However, they lack independence and experience in effectively selecting audit samples, obtaining sufficient audit evidence, and documenting work papers. Additionally, they would not be able to identify broad trends impacting other stores, or validate issues are fixed by senior management in the corporate office as effectively as Internal Audit or external consultants could. Recent industry trends show that more companies are using multiple functions to perform store audits to leverage each function’s unique benefits. Regardless of which function(s) performs these audits, they should be well-trained to ensure audit results are fair and accurately measured.

**Store Selection Process**

After deciding who will perform store audits, retailers must determine their approach for deciding which stores will get audited and if stores will be provided advance notice of an upcoming audit. The cycle-based approach involves auditing stores on a set frequency such as annually or bi-annually. Under the risk-based approach, stores are selected based on various financial and operational data, such as gross or net sales and inventory shrink, or
based on prior poor audit results. The benefits of both approaches are documented below. Some retailers use a combination of both approaches.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyclo-based</td>
<td>• Routine audits give stores the impression they are always being monitored</td>
</tr>
<tr>
<td></td>
<td>• Easy to compare audit results across all stores over a set time period</td>
</tr>
<tr>
<td></td>
<td>• Audit results can be built into performance evaluations or bonuses for store management</td>
</tr>
<tr>
<td></td>
<td>• Learn best practices from strong performing stores</td>
</tr>
<tr>
<td>Risk-based</td>
<td>• Higher-risk stores are audited more often, enabling management to timely address issues impacting store performance</td>
</tr>
<tr>
<td></td>
<td>• Cost effective since it requires less resources to meet the risk appetite</td>
</tr>
<tr>
<td></td>
<td>• Provides auditors the option of not utilizing the full audit program by only reviewing high risk areas, which may enable greater overall store coverage</td>
</tr>
</tbody>
</table>

Retailers must also decide if their store audit function will include announced or unannounced audits, or a combination of both. Announced audits ensure availability of store management and enhance the partnership feel of the audit. However, the store may prepare for the audit in advance so the results may not reflect the true condition of the store.

Areas to Audit

In addition to deciding what stores to audit, retailers must consider how many questions to include on the store audit and if the questions will be standard or will they vary periodically. These decisions are key to determine if retailers want to consistently drive execution on standard processes or if they want a flexible audit program that addresses changing needs. Regardless of the approach, best in-class retailers ensure that audit questions (and results) are stored in a database or other central repository to enable reporting of trends. Standard audit areas that should be considered for most retailers include: inventory management, cash management, human resources & payroll, merchandising, customer service, security and legal compliance. However, there may be specific audit questions retailers should consider based on their type. For example, grocery retailers may need to monitor products with expiration dates.

When developing the store audit program, retailers should also consider what can be audited from the corporate office without physically being in the store. Auditors may be able to pull financial and operational data from the corporate office. There are several benefits to preparing for store audits in advance, including reduced travel costs, more efficient audits and
increased visibility into issues that were “cleaned up” by store personnel in advance of the audit.

**Reporting and Follow-up**

After store audits are completed, reports should be provided to store management, field management and corporate stakeholders (operations, loss prevention, executives, etc.). Reports to store management typically provide the results of each audit question in a “Yes/No” or “Pass/ Fail” format so they can take action on any deficient items. Some retailers also utilize a point scoring system for audit questions, such that some questions count more than others based on their perceived importance. Reports provided to field management and corporate stakeholders are typically summaries of the audit results for all the stores visited within a time period. These results indicate which processes were working well and which need improvement.

The follow-up process for addressing deficient items in store audits varies across retailers. Store management may decide how they will get their store in compliance. Other retailers utilize store auditors or field management to inform store management what steps they should take to achieve compliance. Lastly, a growing trend is for corporate stakeholders to formalize action plans on the front end so any deficient items already have set action plans for each store audit question.

If compliance is significantly low across a large subset of stores, or if trends continue over time, formal action plans by corporate departments may be necessary. Specific recommendations may exist to update or enhance policies and procedures, provide training, develop new technologies, etc. While there is no “right” approach, it is essential that accountability exists and corrective actions are taken in a timely manner to address deficiencies.

**RETAIL PROMOTION MIX – ADVERTISEMENT**

The word advertisement originated from the Latin term ‘advertise’ meaning to turn to. Advertising is paid form of communication. It is non-personal. It is directed at a mass audience and not directly at the individual as in the case of personal selling. It is identifiable with its sponsor or originator which is not always the case with publicity or propaganda.

**Evolution of Advertising**

- **The Beginning:** Romans practiced advertising. The potentiality of advertising multiplied when the hand press was invented at the end of the 15th century. By Shakespeare’s time the posters had made their appearance. Thus gradually advertising assumed the function of fostering demand for excising products.
Mass Advertising: It was in the latter half of the 19th century that mass advertising came into being. As mass production became a reality channels of distribution had to be developed to cope with the physical movement of goods creating a need for mass communication to inform customers of the choice available to them. This development was accelerated by increased literacy.

Advertising in India: In India advertising was accepted as a potent recognized means of sales promotion only two decades ago. This delay is attributable to late industrialization in India. But as India has become an industrial country, advertisements appear regularly in local as well as national papers.

Definition

*American Marketing Association* defines, “Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. It involves the use of such media as magazine, newspaper, space, radio, motion pictures, outdoor media, cards, catalogues, direct mail, directories and references, store signs, programmers and menus, novelties and circulars”.

Elements of Advertising

On the basis of the definitions, the essential elements of advertising can be listed as follows:

1. **Non-Personal communication:** Advertising is a mass non-personal communication reaching a large group of buyers. Actual persons not addressed to an individual or small audience of individuals neither deliver it. The communication is speedy permitting the advertiser to speak hundreds or thousands of people within a shorter period.

2. **Matter of record:** It is a matter of record furnishing information for the benefit of the buyers. It guides them to make a satisfactory purchase. The contents of the advertisement are what the advertisers want.

3. **Paid form of Communication:** Advertising is a paid form of presentation. The sponsor must pay for it to other person whose media is employed. Hence, it is a commercial transaction. Only this feature differentiates advertising from publicity.

4. **Persuasion of the buyers:** The advertisement must be capable persuading the buyers to purchase the goods advertised. It is an art of influencing the human action; the awakening of the desire to possess and possess one’s product.

5. **Identifiable with the sponsor:** Advertisements are identifiable with their sponsor or originator. The producer or the dealer sponsors the advertisement campaign by employing a suitable media. He also bears the expenses connected with it.
Objectives of Advertising

1. **To Create Demand**: - Advertisement is used for introducing a new product in the market. New product needs introduction as potential customers have never used such product earlier. The advertisement prepares a ground for the new product. Most of the advertisement in cinema-halls or at radio and television serve this purpose.

2. **To Prepare Ground for New Product**: - The main objective of the advertisement is to create a favorable climate for maintaining or improving sales. Customers are reminded about the product and the brand. Advertisement may induce new customers to buy the product by informing them about its qualities since it is possible that some of the customers may change their brands. Thus advertisement may bring new areas and customers to the company’s product thereby increasing the company’s share in the total market.

3. **To Face the Competition**: - In modern days advertising is undertaken not only to inform the people about a product, but also to maintain and increase the demand of the product by weaning people away from rival products in the market. Under competitive conditions, advertisement helps to build up brand image and brand loyalty. When customers have developed brand loyalty, it becomes difficult for the middlemen to change.

4. **To Inform the Changes to the Customers**: - Large-scale advertising is often undertaken with the objective of creating or enhancing the goodwill of the advertising company. This increases the market receptiveness of the company’s product. It helps the salesman to win customers easily.

5. **To create or Enhance Goodwill**: - The advertisement is made with the purpose of informing about the change to the consuming public. Whenever changes are made in the prices, channels of distribution or in the product by way of any improvement in quality, size, weight, brand, packing, etc., the producer through advertisement must inform these to the public. Such advertisements may also be used to maintain or improve sales.

6. **To Neutralize Competitor’s Advertising**: - Advertising is also used to compete with or neutralize competitor’s advertising. When competitors are adopting intensive advertising as their promotional strategy, it is reasonable to follow similar practices to neutralize their effects. It is essential for the manufacturer to create a different image of his product. Advertising helps to create product differentiation by the particular message it sends and the image it creates.

7. **To Bar New Entrants**: - Through long advertising a strongly built image helps to keep new entrants away. The advertisement builds up a certain monopoly for the product. The entrants find it difficult to enter. Whenever a new entrant plans for an
investment in that field, he considers the existing market conditions. If the existing market is dominated by a few players due to their long standing advertisement effects, he may hesitate to make his investment.

8. **Link between Producer and Consumer:** To conclude, advertising aims at benefiting the producer, educating the consumer and supplementing the salesman. Above all it is a link between the products and the consumer.

### RETAIL ADVERTISING AND PROMOTION

#### Retail Advertising

The manufacturer has little concern where its product is purchased. The goal of the retail advertiser differs from that of national advertiser. The retailer advertises to encourage patronage by consumers and build store loyalty among them. The retailer is not particularly concerned with any specific brand. In case the retailer shows some concern (the retailer wants to clear stocks of a particular brand), then the message in effect is “buy brand ‘B’ at our store.” General approach in retail advertising is “buy at our store.” The sale of any specific brand is not the concern of retailer unlike the national advertiser.

The retailer must compete in one of the most competitive arenas of business and move large volumes of products. Besides, the retail advertising must convey the image of the type of store to particularly attract certain types of consumers. To achieve these objectives, retailers often communicate price information, service and return policies and the range of merchandise available. Some retailer ads are specifically aimed at building the store traffic.

#### Purpose of Retail Advertising:

The main purposes of retail advertising are outlined below:

1. **Selling the Establishment:** To sell the establishment, attract customers to the premises and, in the case of a shop, increase what is known as ‘store traffic’, i.e., trying to increase the number of people passing through the shop. If they can be encouraged to step inside – they may possibly buy something which they would not bought otherwise.

2. **Selling exclusive or own labeled goods:** Some retail distributors are appointed as dealers for certain make. Example is some supermarkets sell their ‘own labelled goods’ which manufacturers pack in the name of the supermarket. Some large departmental stores have a special brand name for all their products, invariably they will be cheaper and they complete with national brands. Competition between national and own-label brands is intense, and there is always a risk that the national brands will be de-listed in favour of a store’s own labeled products. Own label products are usually made to the retailer’s own specifications or recipes, and are not simply replicas of existing national brands. All the retail outlets are likely to use advertising to promote sale of their stock.
3. **Clearance Sale:** To clear the stock of the shop, such as promoting products which are seasonal, special offers could be made. *Examples* are sale of certain products during winter or summer. Sale of air conditioners during winter and water heaters during summer.

**Important Benefits of Advertising to the Retailers**

- Advertising quickens the turnover, reduces risk on dead stock and can result in proportionate reduction of overhead expenses.
- The retailer is generally afraid of fluctuations in prices. Advertising stabilizes the price and thus avoids losses to the retailer through change in the price.
- In case of many well-advertised articles, the manufacturer himself controls the price and thus unfair competition and “price wars” are avoided.
- The retailer can also easily anticipate the actual sales and plan his stock accordingly.
- By creating new demands and inducing the public to spend more money on the goods, advertising increases the sales which benefits the retailer by reducing the percentage of overhead expenses.
- By advertising, the retailer can himself inform the public of his existence and the product he sells.
- The normal retailer has no salesmen who go out to get orders. Advertising goes out on his behalf right into the market and draws the customers towards his shop. Although attractive window display also helps, it can only attract those who pass by the shop.

**FUNCTIONS**

- Sell a Variety Of Products
- Encourage Store Traffic
- Deliver Sales Message
- Create Store Image
- Establish A Brand

**ADVERTISING TRENDS OF MAJOR RETAIL SECTORS**

- **The auto retail sector:** It has been consolidating for a number of years, as major chains and multi-brand and dealer groups acquire smaller new vehicle dealers. With fewer dealerships, each is able to sell more vehicles and is more profitable. However
there are fewer advertisers. Most automotive advertising is done by manufacturers to
establish the brand. Dealer advertising is critical to drive traffic to their locations.

Historically, this has meant newspapers, radio, and local television, along with
direct mail.

- Specialty electronics: Retailers use a mix of media, including digital, television,
radio, newspapers, direct mail, catalogs and circulars. With the continuing trend of
online shopping in this sector, digital advertising is increasingly significant.
Nevertheless, print media remain strong, particularly circulars. For those that use
them, circulars still are the primary advertising vehicle. Catalogs had been of some
importance, but are being replaced by digital. They do remain important for many
focused and specialty retailers, but catalogs will continue to decline.

- The home goods and furniture sector: Retailers uses a wide range of advertising
strategies, including television, radio, newspaper, magazine, direct mail, catalogs and
circulars, as well as emerging digital technologies. The advertising mix is not only
company-dependent, but many companies alter their strategies dramatically from year
to year. Most of the growth in ad spending will go to digital and online media.
Newspapers will remain an important component of advertising strategy for the
sector, though not as strong as television. Magazines, on the other hand, are important
for high-end brands and are used primarily for awareness and to establish and
reinforce the brand image.

- Building materials, hardware and garden supplies: Retailers exhibits strong
growth after the recession downturn. Because the segment is dominated by major
chains and branded groups, advertising strategies of these retailers determine
spending patterns. The most important advertising vehicles are circulars and
television, followed by digital. Newspaper advertising and circulars are used primarily
to highlight sale items and categories. Circulars often can be quite large—40 to 48
pages. Catalogs area used occasionally, although the distribution is much more
restricted than circulars. Television is used extensively for promoting sales events, as
well as seasonal promotions.

- Grocery: Groceries continue to see print as an effective means to communicate.
Grocers use all media, ranging from circulars and direct mail, publications, radio and
television, as well as all types of digital. By far the most important is the circular,
flyer or preprint. For many large grocers, it can represent 50% to 70% of their total
advertising spending.

- Drug stores: Drug stores also advertise in newspapers, but this medium will continue
to be challenged. Some major chains also have extensive personalized direct mail
campaigns. One major chain mails personalized postcards to its top customers about
once a month. The mailing highlights actual spending and the coupon or loyalty
program savings. Included with the piece is an unrestricted coupon. The company
measures coupon redemption from the mailing and compares it to results from emailed coupons. Although the use of print media has remained relatively constant and should continue to be steady, most major chains believe that circulars will decline in time. Accordingly, they are investing heavily in digital.

- **Clothing retailers:** These retailers have been among those investing most heavily in online sales tools, including both robust websites and mobile apps to provide easy customer experiences. Many apparel companies are using their stores as retail distribution centers, as online orders can be fulfilled from inventory located in the physical store. Clothing retailers rely on all types of advertising, including rewards programs, direct mail and email, catalogs, online (and social media), newspapers and magazines, television and radio, outdoor and in-store. Each retailer will have a different mix depending on its target market and the kind of image it wants to project.

- **Sporting goods and hobby stores:** These store retailers are expecting e-commerce to account for almost one-fifth of sector sales by 2018. Both sporting goods and hobby stores continue to focus on improving their Omni-channel platforms. Retailers in this sector rely on a variety of advertising methods. Print is central for both, particularly circulars and catalogs, although sporting goods retailers tend to rely somewhat more on catalogs.

- **Department stores:** These retailers use a variety of media, including magazines, direct mail, newspapers, circulars, television, radio, catalogs, and digital media. Their advertising spending is relatively high. Catalogs are the second most important print medium for this sector. They now are making a comeback. Retailers realized that the catalog “had a greater impact on sales than expected,” says one exec. More upscale stores who thought that Internet sales could replace a printed catalog have realized that print drives online commerce.

## ETHICS IN RETAILING

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

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

**The unethical practices used by the retailers towards consumers are:**

i. They charge full price for a sale item without the customers’ knowledge.
ii. Don’t tell the complete truth to a customer about the characteristics of a product.

Ethical retailing

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

B. Ethical practice towards investors/shareholders: The shareholders are the owners of the business. Shareholders must be given fair returns on their investment at regular intervals. The shareholders should be disclosed with correct information about the financial status of the business organisation. The business organisation must act in the interest of the shareholders.

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

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

D. Work Ethics of Retail Service Employee: Retail employees require a comprehensive range of skills and qualities in order to interact effectively with customers. These qualities include:

- **Attendance and punctuality:** Ensuring that you arrive at work for your shift on the correct day and time. This also requires the sales assistant to return from lunch breaks on time to ensure that the store operates efficiently.

- **Ethical behaviour:** this refers to doing the right things at work. For example, not giving discounts to friends or stealing from your employer.

- **Honesty:** the moral obligation for an employee to tell the truth in all situations.

- **Work performance:** a sales assistant should always perform their work duties to the highest standard.

- **Taking directives:** being able to correctly follow the directions and instructions given by supervisors and managers.
• **Attention to detail:** this involves being thorough in all work activities. For example, completing documentation correctly and ensuring all stock is arranged as required and placed in the correct area of the store.

• **Personal presentation and grooming:** wearing the correct attire according to store policy which may include the wearing of a name badge. Personal hygiene is very important, so shower before work and ensure your uniform is washed and ironed.

• **Attitude:** demonstrating a positive approach towards the workplace.

• **Discretion:** being able to make decisions on what to do in a variety of situations, for example, giving a regular customer store credit, and making judgements on how much to discount damaged goods.

• **Confidentiality:** keeping personal details of work colleagues and customers private. Do not disclose personal details or credit details.

• **Consistency of service:** all customers should be treated the same.

• **Safe work practices:** perform all work duties following OHS regulations, including safe manual handling techniques and use of personal protective equipment when required.

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**RETAIL RESEARCH**

Retail Research: Marketing research specifies the information required to address the marketing issues (marketing opportunities, evaluate marketing actions, monitor marketing performance) design the method of collecting information, manages and implements the data collection process, analyses and communicated findings and their implications.

**Importance of research in retailing:**

- Retail research can help retailers to take important decisions such as market positioning, which retail format will be most suitable for the particular target market, how best to display merchandise and so on.

- At the retail level, research is used for concept testing, business feasibility analysis, identifying the correct product mix, understanding the target market profile, understanding and analyzing consumer behaviour.

**Methods of retail research:**

A. **Qualitative Research Methods:** It is used to find out what is in consumer’s mind. The retailer will be able to get oriented to the range and complexity of consumer activity and
concerns. Such data may help retailer to know more about things (feelings, thoughts, and intentions, past behaviour) which cannot be directly observed or measured.

Focus group study is used to identify the most likely product positioning, and to know the cues on the various features which go into the shopping such as ambience, shopping needs and requirements, style preferences.

3 Major types:

1. **Exploratory Research**: defines the problem in detail, suggest hypotheses, used for generating ideas for new product.

2. **Orientation Method**: getting to know the consumer’s best view and vocabulary.

3. **Clinical**: Gaining insights of issues which otherwise might be impossible to pursue structured research methods.

Qualitative research can take the form of Focus Group Discussion, Projective techniques (Word association test, third person role playing, and sentence completion test)

**B. Quantitative Research through survey**: Survey can help to understand the consumer’s behaviour: Current shopping patter, to know the size of the market, the retail formats currently being used, size of the core target.

The survey in many forms is one of the most widely used and well knows method of acquiring marketing information by communicating with the group of customers through questionnaire or interview. It is efficient and economical.

❖ **Observation Method of Research**: used to provide information on current behavior.

The research design can be: Casual or systematic. It will be easy to observe the following information:

- what is the in store traffic pattern
- what is the customers reaction to the displays, visual merchandising
- what is the pattern of customers movement
- why is the reaction to private labels
- which are frequently asked questions by the customers

**Forms of observation**:

1) **Direct observation**: the retailer may use an observer disguised as a shopper to observe how long customer spend time in the display area.

2) **Contrived observation**: Buying teams disguised as customers will try to find out what happens during normal interaction between the customer and the retailers.
3) **Content Analysis**: used to analyse the content or messages of advertisement

4) **Humanistic Enquiry**: It involves immersing the researcher in the system under study. The researcher maintains two dairy:
   - Theory construction which records in details the thoughts, premises, and hypothesis.
   - A detailed date and time sequenced notes which are kept on the technique used for enquiry with special attention to biases or distortions.

5) **Behaviour recording devices**: help to overcome deficiencies of human observers. People meter, Eye movement recorders, voice pitch analyses.

**CUSTOMER RELATIONSHIP MANAGEMENT IN RETAILING**

Customer relationship management (CRM) is the process of carefully managing detailed information about individual customers and all customer “touch points” to maximize loyalty. A customer touch point is any occasion on which a customer encounters the brand and product from actual experience to personal or mass communications to casual observation. For a departmental store, the touch points include check-in and check-out time spent in the store, quality of service, employee interaction, add-on facilities (parking etc.), good ambiance, product quality, and handling of returns. The customers tend to come back to the store on personal touches, such as a staff that always addresses customers by name, high-powered employees who understand the needs of customers, and at least one best-in-region facility.

CRM enables stores to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, stores can customize market offerings, services, programs, messages, and media. CRM is important because a major drive of company profitability is the aggregate value of the stores customer base.

Companies are also recognizing the importance of the personal component to CRM and what happens once customers make actual contact with the company. Employees can create strong bonds with customers by individualizing and personalizing relationships. In essence, thoughtful companies turn their customers into clients. Here is the distinction:

“Customers may be nameless to the institution; clients cannot be nameless. Customers are served as part of the mass or as part of larger segments; clients are served on an individual basis. Customers are served by anyone who happens to be available; clients are served by the professional assigned to them.”

Don Peppers and Martha Rogers outline a four-step framework for one to one marketing that can be adapted to CRM marketing as follows:
❖ **Identify your prospects and customers:** Don’t go after everyone. Build, maintain, and mine a rich customer database with information from all the channels and customer touch points.

❖ **Differentiate customers in terms of (1) their needs and (2) their value to your company:** Spend proportionately more effort on the most valuable customers (MVCs). Apply activity based costing and calculate customer lifetime value. Estimate net present value of all future profits from purchases, margin levels, and referrals, less customer specific servicing costs.

❖ **Interact with individual customers to improve your knowledge about their individual needs and to build stronger relationships:** Formulate customized offerings you can communicate in a personalized way.

❖ **Customize products, services, and messages to each customer:** Facilitate customer interaction through the company contact centre and Web site.

**Role of CRM in Retail business**

❖ **Customer history:** CRM stores all the customer information and profile like their last purchase, business cards, and phone numbers. This helps in recording all the history of a customer so you know each one of them individually and you know who your regular customers are and what their needs are. Which also helps you in for seeing the demands and getting better business and makes the customers’™ experience better at your store.

❖ **Segmenting:** Collecting all the information about the customers allows it to put your customers in different section so you can attend them accordingly. This way you can segment your market. There might be families, youngsters, vegetarian, non vegetarian, new buyers, long term customers, heavy purchase customers, lighter purchase customers, etc. The segmentation in your market helps you in providing better strategy that suits your customers.

❖ **Tracking:** CRM software helps you in tracking all the customers individually. This provides you the clear information as to which customers are beneficial for you and which are not. And which customers have proven to be loyal which have not. So you can also provide them better service and at times reward your loyal customers to keep up their loyalty and get more buyers indirectly.

❖ **Promotions:** Promotions helps you target the right audience as it tracks each customer. Therefore you can manage them putting in groups or even individually. This will help you provide them better service. And when a customer visits your website you can accordingly look into what they are looking for and include the
promotion of that particular product in their newsletter. For example you have a sports related store and a customer looked into some fitness wear hence you can include the promotion of that product in their newsletter or emails, etc.

❖ **Purchase tracking:** CRM allows you to track each customer’s purchase separately so you know their interests and if their product had any issue or any damage. This way you will be able to provide them better service by having their interests included in their sms and emails or newsletters. In case of damage or issue you will be able to provide them with the same item in lower price in their next purchase or even give free service, etc to provide them to gain more customer satisfaction.

❖ **Loyalty:** CRM allows you to focus on each customer individually hence you can pay attention to their needs more closely. This way you can also focus on your long term customers and provide them with points, bonuses and rewards which will help you gain customer loyalty. This way you can have better business as loyalty will bring you committed customers which will set the level of your sale and profit in the right track.

❖ **Cost effective:** It allows you to manage the customers in the most cost effective way. You can send out bulk SMS and email easily updating them about the upcoming sale, offers and also allows you to take care of them individually by focusing on their individual needs. CRM implementation is a simple and cost effective process it also saves you more income as you will have lesser staff and lesser resources to spend on.

❖ **New buyers:** CRM does not only manage your old customers or existing customers for you. It also has an intelligence that helps you identify potential buyers and convert them into leads which can turn into customers. CRM can help you get their attention by identifying them for your sales department who can then go ahead and deliver their interests to them from your business side with sophistication so they show up at your door soon.

### PROBLEMS IN RETAIL MARKETING / COMMON WOES OF RETAILING

With the high level of competition in the retail industry, marketing is one of the most important business concerns of a retail outlet. As you plan a marketing campaign for your retail store, consider the problems that can arise from competitor and consumer behavior. By anticipating issues, you can design a more streamlined, effective marketing plan.

1. **Competitors:**

   One of the biggest challenges in retail marketing is competition from other retail outlets. Often, various stores offer the same products, and individual stores must produce marketing materials that convince consumers to buy from them instead of a competitor. When a retail store plans its marketing, it must work to find new and innovative ideas that put
its products in the best light, emphasize the selection, and persuade customers that prices are reasonable. Retail outlets must constantly keep abreast of tactics and promotions used by other local stores to stay competitive in a constantly changing market.

2. Convenience:

With the increasing use of the Internet on personal computers and mobile phones, location-based retail outlets have to work harder to get customers into the store. When marketing a retail store, your advertisements and materials must offer customers a greater incentive to spend the gas money and time to come to your store as opposed to ordering their products online. Because the Internet is constantly available to consumers, retail stores often double their marketing efforts to ensure that their name and products are in front of customers as often as possible.

3. Time Frame:

Many retail areas have a high product turnover rate, which means that advertisements and promotional materials must keep up. Stores must change the design and content of their websites, circulars and catalogs to reflect the changes in inventory. They must also work to keep their customers and staff informed about new products and features, and deal with confusion and irritation when discontinuing a popular product or experiencing changes in quality. Retail marketing is a fast-paced, continuously changing process that requires a considerable investment of time and money.

4. Considerations:

Because retail stores see both buying and non-buying customers, their marketing efforts carry a heavy weight – to convince shoppers to buy. Both in-store and out-of-store marketing campaigns must keep up with the needs of consumers and speak to their preferences to get them to convert from mere browsers to paying customers.

5. Prevention/Solution:

To avoid falling behind competitors, retail outlets must stay on top of their marketing efforts and view them as an important investment in business success. By hiring a dedicated marketing firm or a team focused solely on keeping on top of product changes, competitor strategies, and customer attitudes, a retail outlet can avoid losing businesses because of low awareness.

6. Other problems:

A. Overhead: High overhead costs (and failure to keep expenditures lean) can have a detrimental effect to a new or struggling wholesale business. Some common overhead costs include:

- Rent
Supplies and goods
Utility bills
Insurance
Interest
Advertising
Accounting fees,
Legal fees
Labor burden
Repairs
Telephone bills
Travel expenditures, and
Utilities

B. Over expansion: Overexpansion is similar to the issue of excessive overhead. While it may make sense in moderation, too much too quickly can often bankrupt a business. Supply problems, logistic challenges, staffing issues, and financing concerns are potential obstacles in expanding. Without adequate preparation and strategy, the attempt to capture more of the market can quickly turn into a matter of survival.

C. Disasters: Natural and man-made disasters often deal death-blows to companies, such as floods or fires. While it’s difficult to avoid such disasters, company management can ensure the business carries adequate disaster insurance and a plan is in place for emergency scenarios.

D. Fraud: Fraud by customers, employees, vendors, or partners is an unfortunate part of any industry. While there is a degree of due diligence a Retailer can perform, no one is able to avoid fraud altogether. Similar to disaster planning, the best course of action is to have adequate insurance as well as policies (such as a check and balance system) in place to avoid fraud and be ready to address it when it happens.

CONSUMERISM IN RETAILING

Introduction

A new wave of consumerism driven by rapid sea changes in domestic demographics, increasing urbanization, improvement in standard of living, life styles, and advances in information technology creates a behemoth consumer market, which offers a plethora of opportunities for the growth and development of sunrise retail sector in India. The fast changing trends of consumerism based on the growing wealthy middle class consumers have
conspicuous impact on modern retailing, particularly in food and grocery, apparel and entertainment sector. Hence, the emergence of supermarkets, hypermarkets and shopping malls become the destination centers to cater to the ever-changing needs of consumers. Thus, the study of changing trends of consumerism assumed significance in the wake of understanding and development of modern retail formats across the nation. However, little is understood about its actual influence and contribution to the organized retailing.

**Definition**

*“The social movement seeking to augment, the rights and power of buyers in relation to sellers”*

**Features:**

- It is manifest in new laws, regulations, and marketing practices, as well as in new public attitudes toward government and business.

- Consumerism is a social and economic order that is based on the systematic creation and fostering of a desire to purchase goods or services in ever greater amounts.

**Consumerism in India:**

- India is a developing economy.

- Not all Indian consumers are well educated.

- Consumers are often exploited, misled by deceptive advertisements, packaging poor after sales service, adulteration, price collusion and so on.

- Liberalization and competition

- Survival of the fittest

**Changes in the attitude of Indian consumers**

- The attitude of Indian consumers has undergone a major transformation over the last few years.

  - He wants to lead a life full of luxury and comfort.

  - He wants to live in present and does not believe in savings for the future.

  - He is open to the idea of consumption and a better lifestyle.
An increase in their income level due to high rate of industrialization, growth of services sector and better employment opportunities.

**Socio-Cultural Impact on Consumerism in India**

Different social classes exhibit characteristically different behaviors pattern in consumerism. Out of these 1.6 million upper class households earn Rs 45 lakh ($100,000) or more per year spending about Rs 4 lakh ($9000) a year luxury / very premium goods and services, which made for a market potential of about $65,000 crore ($14.4 billion) is growing at a healthy rate of 14% a year (KSA Technopak estimates, 2006). India's middle income group (popularly called middle-class) of 300 million is about 25% of the total population base which, about 4% are extremely rich and about 10% have just graduated into the middle class and the wealthy middle class is estimated to go up to 400 million that believe in good things of life style and indulge in conspicuous consumption worth of $2.8 trillion in a year 2025. The changing trends of consumer class shown Table 1 reveals that percentage of increase of Consumer class in the Rich (416%), Consuming (179%) and Climbers (37%) from the year 1996-2001 to 2007 art the percentage of decrease of consumer class the Aspirant (-65%) and Destitute (-61%) class and the total change of 21 % is conspicuous indicator of changing trends of consumer market (Baja et al., 2005).

**Demographic and psycho graphic impact on consumerism**

The demographic changes are the utmost influential factors in the changing trends of consumerism in India. Out of the total population of 1027 million, about 742 million live in rural areas and 285 million in urban areas. The net addition of population in rural and urban areas during 1991-2001 has been to the tune of 113 million and 68 million respectively is an obvious indicator of increasing demand for consumer goods. The 70% of the country's 1027 million population concentrated in rural areas consisting of 6 lakh villages creating a demand for products such as toothpaste, instant coffee, deodorants, etc. Increase by 60 percent by 2012 (Assocham Retail Report, 2007). The average household income in urban areas has been growing at a 5% CAGR (Compounded Annual Growth Rate) for the last decade. The income profiles of Indian households are tremendously increasing from the year 1995 – 2002 to 2007 (see Table 2), which is an encouraging phenomenon for growing consumerism.

The changing composition of work force and growing number of women employees in public and private organizations i.e. the participation of women in professional and technical workforce in India is 34% and 21% respectively (NCEAR report, 2005) contribute a lot to the paradigm shift in consumerism. The accelerated growth in employment from 1.6% levels of 1993-2000 to 2.5% during 1999-2005 is also the good facilitator of growing consumerism. Intrinsic factors such as needs, motives, perceptions, and attitudes, interests, opinions, activities and lifestyles mostly influence the consumerism in a rapid changing environment. Personal and social motives are the most influential in increasing consumerism.
and creating necessity for modern retail formats that cater to meet the preferences. Consumers' motives are positively related to their pleasure and satisfaction while shopping in modern retail outlets.

Riding on economic growth and widespread consumerism, the Indian consumer market and retail tread has become Siamese twins and growing in tandem. With the rising affluent middle class society, changing consumption patterns, rise in number of dual income nuclear families and the youth driven culture are some of the factors fuelling the new wave of consumerism. The rapidly evolving Indian consumers are now seeking out a different shopping experience with increasing awareness of information and technology. India is now ready to leapfrog into the next stage of evolution where a large number of Indian and International retailers build sizeable scale models across the country. Opportunities are abundant, across all formats and categories, as the new Indian consumer has clearly demonstrated a readiness for all organized retailing segments. The retail markets across the globe the influx of foreign brands and funds into the country will change the retail landscape. It will make domestic players grow bigger and more innovative in the face enhanced competitive pressures. The Indian retail sector is at an inflexion point where the growth of organized retails and growth in the consumption by the Indian populations going to take a higher growth trajectory.