DEPARTMENT OF MANAGEMENT STUDIES

II Year/III SEMESTER

BA4008 RETAIL MARKETING

COURSE MATERIAL

Anna University Chennai

Regulation 2021

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VISION

To build Jeppiaar Engineering College as an institution of academic excellence in technology and management education, leading to become a world class university.

MISSION

- To excel in teaching and learning, research and innovation by promoting the principles of scientific analysis and creative thinking.
- To participate in the production, development and dissemination of knowledge and interact with national and international communities.
- To equip students with values, ethics and life skills needed to enrich their lives and enable them to contribute for the progress of society.
- To prepare students for higher studies and lifelong learning, enrich them with the practical skills necessary to excel as future professionals and entrepreneurs for the benefit of Nation's economy.

DEPARTMENT OF MANAGEMENT STUDIES

VISION

To be a prominent management institution developing industry ready managers, entrepreneurs and socially responsible leaders by imparting extensive expertise and competencies.

MISSION

- To provide management education to all groups in the community.
- To practice management through scholarly research and education.
- To advance in the best practices of management which enable the students to meet the global industry demand.
- To promote higher studies, lifelong learning, entrepreneurial skills and develop socially responsible professionals for empowering nation's economy.

PROGRAMME EDUCATIONAL OBJECTIVES (PEOs):

MBA programme curriculum is designed to prepare the post graduate students

- To have a thorough understanding of the core aspects of the business.
- To provide the learners with the management tools to identify, analyze and create business opportunities as well as solve business problems.
- To prepare them to have a holistic approach towards management functions.
- To inspire and make them practice ethical standards in business.
-

PROGRAMME OUTCOMES (POs)

On successful completion of the programme,

1. Ability to apply the business acumen gained in practice.
2. Ability to understand and solve managerial issues.
3. Ability to communicate and negotiate effectively, to achieve organizational and individual goals.
4. Ability to understand one's own ability to set achievable targets and complete them.
5. Ability to fulfill social outreach
6. Ability to take up challenging assignments

COURSE OBJECTIVE:

To understand the concepts of effective retailing

COURSE OUTCOMES:

1. To provide insights on retail operation
2. To understand effective methods and strategies required for retail management.
3. To understand how to utilize resources and techniques used in retail management.
4. To understand analysis of store location, merchandising, products and pricing.
5. To gain knowledge about shopping behaviour

COURSE OUTCOMES	PROGRAM OUTCOMES					
	PO1	PO2	PO3	PO4	PO5	PO6
CO1	3	3	0	0	0	2
CO2	3	3	0	0	0	2
CO3	3	3	0	0	0	2
CO4	3	3	0	0	0	2
CO5	3	3	0	0	0	2
AVERAGE	**3**	**3**	**0**	**0**	**0**	**2**

BA4008 RETAIL MARKETING

UNIT I INTRODUCTION

An overview of Global Retailing – Challenges and opportunities – Retail trends in India – Socio economic and technological Influences on retail management – Government of India policy implications on retails.

UNIT II RETAIL FORMATS

Organized and unorganized formats – Different organized retail formats – Characteristics of each format – Emerging trends in retail formats – MNC's role in organized retail formats.

UNIT III RETAILING DECISIONS

Choice of retail locations - internal and external atmospherics – Positioning of retail shops – Building retail store Image - Retail service quality management – Retail Supply Chain Management – Retail Pricing Decisions. Merchandizing and category management – buying.

UNIT IV RETAIL SHOP MANAGEMENT

Visual Merchandise Management – Space Management – Retail Inventory Management – Retail accounting and audits - Retail store brands – Retail advertising and promotions – Retail Management Information Systems - Online retail – Emerging trends .

UNIT V RETAIL SHOPPER BEHAVIOUR

Understanding of Retail shopper behavior – Shopper Profile Analysis – Shopping Decision Process - Factors influencing retail shopper behavior – Complaints Management - Retail sales force Management – Challenges in Retailing in India.

REFERENCES:

1. Michael Havy ,Baston, Aweitz and Ajay Pandit, Retail Management, Tata Mcgraw Hill, Sixth Edition, 2007

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UNIT -1

INTRODUCTION

<u>An overview of Global Retailing – Challenges and opportunities – Retail trends in India – Socio economic and technological Influences on retail management – Government of India policy implications on retails.</u>

RETAILING CONCEPT

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

Manufacturers engage in retailing when they make direct-to-consumer sales of their products through their own stores (as Bata and Carona shoe companies, D.C.M. Stores, Mafatlals and Bombay Dyeing) by door-to-door canvass, or mail order or even on telephone. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling. A retailer is a merchant or occasionally an agent or a business enterprise, whose main business is selling directly to ultimate consumers for non-business use.

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

“Retaillier” French for breaking bulk. Retailer links Producers to Customers. Retailer is a person, agent, agency, company or organisation reaching the Goods or Services to ultimate consumer

Retailers perform specific activities:

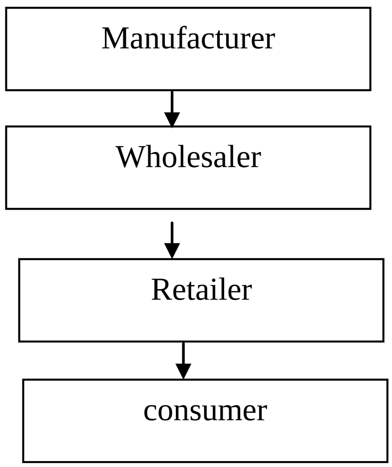
- Anticipate customer wants
- Stock product assortments
- Acquire market information

A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing. A retailer may be defined, as a ‘dealer or trader who sells goods in small quantities’.

Any Organization Selling to final consumer is retailing , whether they are

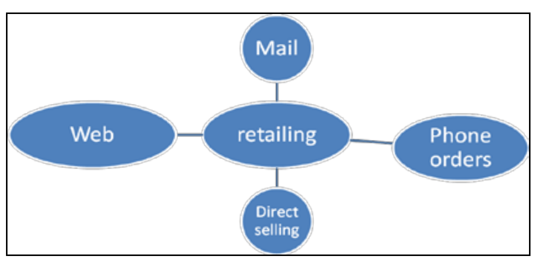
- A Manufacturer
- A Wholesaler

- A Retailer



- Retailing may be understood as the final step in the distribution of merchandise, for consumption by the end consumers.
- Retailers attempt to satisfy consumer needs by having the right merchandise, at the right price, at the right place, when the consumer wants it.
- Retailers are the final business in a distribution channel that links manufacturers to consumers

Retailing may take place through:



- Retail Store
- Mail, Direct Sales
- Internet
- Door-to-door.

Retail services like Restaurants, Hotels, Parlour, Health Services, car rentals, Travel. In USA Retail generates $3 trillion through 23 mil Employees. WalMart generates $245 Biosales through 1 Million nationally and 3 Million Foreigners.

- Strong economies have a strong Retail sector
- Entry in retail sector is easy, hence results in fierce competition
- Retail must perform its primary role of catering to customer satisfaction
- Retail earns modest profits of 9-10%
- Retail stores of different sizes face distinct challenges. Their sales volume influences:
  - Merchandise purchase
  - Promotion & - Expenses Control

Last decade has seen tremendous changes in Retail Business – from made to order to ready to wear, from counter sales to self service, emphasis on value addition and cost reduction. Family run retail business giving way to modern professional retail.

Retail improving inventory management through systems – faster turnover, better profitability, fast changing customer preferences for assortment of goods and services. BETTER CUSTOMER CARE

- Customer Orientation:Attributes & Needs satisfaction
- Coordinated Efforts:Maximize Business Efficiency
- Value driven:Good Value for Money

Why retail management ?

Retail management saves time and ensures the customers easily locate their desired merchandise and return home satisfied. An effective management avoids unnecessary chaos at the store.

The various processes which help the customers to procure the desired merchandise from the retail stores for their end use refer to retail management. Retail management includes all the steps required to bring the customers into the store and fulfill their buying needs.

Importance of Retailing

The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an Important connecting link in a complex mechanism of marketing. Though producers may sell directly to consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist in the line. Therefore, frequently the manufacturers depend on the retailers to sell their products to the ultimate consumers. The retailer, who is able to provide appropriate amenities without an excessive advance in prices of goods is rewarded by larger or more loyal patronage.

Definition of Retailing:

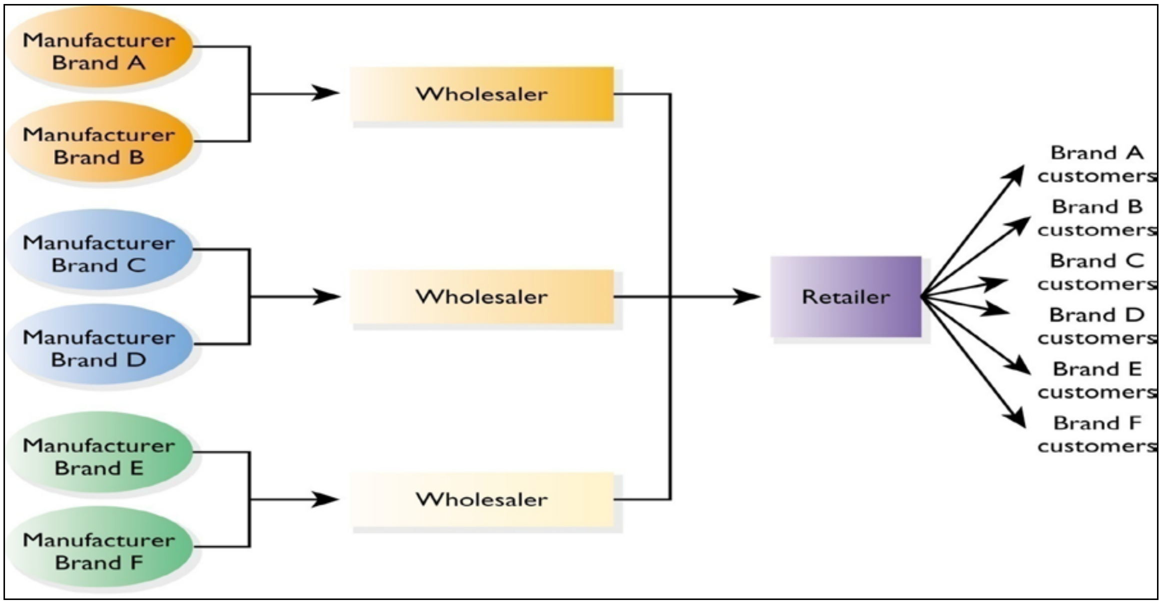
According to Philip Kotler "retailing includes all the activities involved in selling goods or Services directly to final consumers for personal, Non business use".

Retailers role in sorting process

- Consumer spend their money at Retail which drives the economy. Retailers realize Revenue when Consumers buy products or Services from them.
- The revenue passes up the Consumer Goods distribution chain viz. to Wholesalers, Distributors and Manufacturers.
- Retail Industry employs 17-20% Workforce that drives the Economy.
- Retail trends often mirror trends in a nation's overall economy.
- Retailers add value by Providing the Right Product at The Right Place at the Right Time.

ENVIRONMENT

- Retailing is a Dynamic field with very Competitive Environment.
- Retailers act as Filters – Strong lobby for success or otherwise of a Product or Services.
- Companies create Retailer Value and Consumer Differential Advantage to improve success rate of their Brands.



RETAIL CHARACTERISTICS

1. Direct End-User Interaction
2. Platform for Promotions & POP displays
3. Lower unit sales
4. Retail location critical
5. Services as important as Core Products

6. Large number of Retailers to meet geographical coverage and population density
7. It offers direct interaction
8. Sale volume is comparatively large in quantities
9. Customer service
10. Sales promotions are offered at this point only
11. Different forms
12. Location and layout are critical factors
13. More employment opportunities

Functions of Retailing

- Sorting
- Breaking Bulk
- Holding stock
- Communications
- Assist small suppliers
- Customer service

FUNCTIONS OF A RETAILER

I. GENERAL SERVICES

The general services which a retailer provides are:

1. The retailer anticipates the wants of the consumers and then supplies them the right kind of goods at reasonable price. His job is to make the consumers buying as easy and convenient as possible i.e. he acts as a consumers' agent.
2. He performs the service of bulk-breaking i.e. dividing large quantities into small units, such as individual cans, bottles, boxes, wrappers, packages, appropriate for consumer use.
3. He offers a large assortment Merchandise, of suitable size, colour, design, style and seasonal items- ranging from domestic utensils, household requisites to speciality goods.
4. He creates time and place utility by storing the products in off season and by transporting these goods to the places where they can be readily available as and when needed by the consumer.
5. He also assumes risks by guaranteeing the goods he sells to the consumer.
6. He also offers free delivery of goods, credit on open accounts, free alteration, liberal exchange facilities, instructions in the use of goods, revolving credit plans, and long term installment programmes.
7. He adds to the convenience and ease of consumer purchasing by offering convenient shopping locations, market informations and other services such as free parking privileges, lessons on product use and a multitude of other facilities may be offered and found sufficiently desired to result in increased patronage.
8. He helps the producers in distributing their products by using advertisement display and personal selling.
9. The level of retail sales is one of the most useful barometers of the nations economic health. For example when sales of cycles pick-up, sales of steel and components also increase, as does employment

and thus increasing purchasing power. But when sales go down, manufacturers cut back production, unemployment increases and retail sales also goes down.

II .FACILITATING SERVICES:

- In order to carry out functions involving transfer of ownership and physical supply effectively retailers perform a number of facilitating functions i.e. functions relating to standardisation and grading, financing, risk-taking and market information.
- A retailer of fresh fruits and vegetables has to standardise and grade these to make these acceptable to customers. They establish standards, inspect goods they receive, and sort them in various classifications.
- Quite often they purchase in large quantities and then divide them and repack them before selling. When the retailer sells goods on credit he performs finance function. From the moment he sells and collects the last rupee from the customer, when goods are sold on credit, he is said to be performing a financing function.

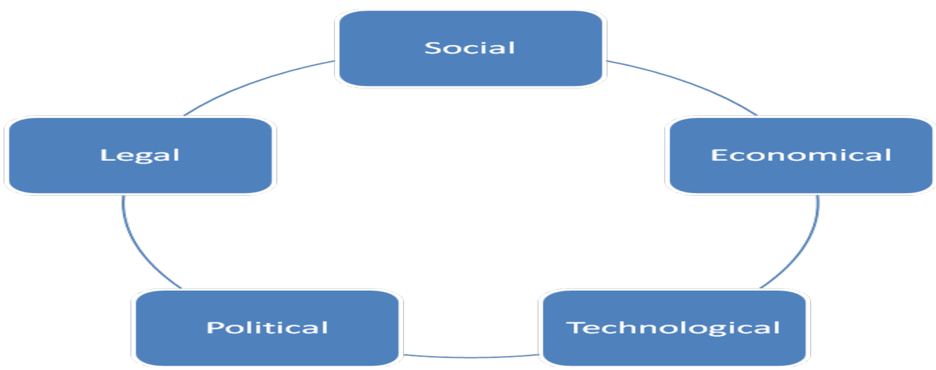
III RISK TAKING:

- Another function performed by retailers is that of risk-taking. During the entire time a retailer holds title to particular goods, he must inevitably bear a wide variety of risks. Not only the goods may be destroyed through fire or flood, but also, there is often the danger of theft, deterioration or spoilage.
- Furthermore, such merchants are also faced with the threat that consumers will not accept their product or will purchase them only at unprofitable prices. He also undertakes risk in handling of fashion goods and other items for which consumer demand varies greatly from time to time. Since the retailer knows about the wishes of his customers the price, quality and the kind of merchandise available in the market as well as the existing and anticipated style trends, he keeps in stock the goods usually required by customers.

Wheel of Retailing

Wheel represents phases through which some types of Retailers pass:
Retailers attract customers – low price, low service
Expand market – More expensive merchandise, More services, open More convenient locations. Trading up process increases costs & price of their merchandise, creating opportunities for new low price retailers to enter e.g. Discount stores & category specialists
Some Retailers don't begin as low price, low service entrants, e.g. Upscale fashion specialty stores.

FACTORS INFLUENCING RETAIL MGT/MARKETING



1. Social Factor:

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. It is how consumers, households and communities behave and their beliefs. For instance, changes in attitude towards health, or a greater number of pensioners in a population.

2. Economic Factor:

It is how the economy affects a business in terms of taxation, government spending, general demand, interest rates, exchange rates and European and global economic factors. 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.

3**. Political Factor/ Legal Factor:**
Retail marketing decisions are substantially impacted by developments in the political / legal environment. This environment is composed of laws, government agencies and pressure groups that influence and constrain various organisations and individuals in society. Legislation affecting retail business has steadily increased over the years.

The legislation has a number of purposes. The first is to protect from each others. So laws are passed to prevent unfair competition. The second purpose of Government regulation is to protect consumers from unfair retail practices. Some firms, if left alone, would adulterate their products, tell lies in their advertising, deceive through their packages and bait through their prices. Unfair consumer practices have been defined and are enforced by various agencies. The third purpose of Government Regulation is to protect the larger interest of society against unbridled business behaviour. The retail marketing executive needs a good working knowledge of the major laws protecting competition consumers and the larger interests of society.

4. Technological Factor:

The most dramatic force shaping people's lives is technology. Advances in technology are an important factor which affect detail marketers in two ways. First, they are totally unpredictable and secondly, adoption of new technology often is prevented by constraints imposed by internal and external resources. At the same time, it should be remembered that technological progress creates new avenues of opportunity and also poses threat for individual firms. Technology has helped retailers to measure the products with modern weighing machines. Earlier, they have used balances which could not measure the merchandise correctly.With the help of weighing machine, products can be measured with the result customer satisfaction can be enhanced. In the following areas where technology have been extensively used.

1. Packing of the products
2. Printing the name of the shop on the product visibly
3. Modern refrigerators where merchandise can be used for a long time

4. Billing.

Technological change faces opposition from one group of people-telling that it may lead to retrenchment of employees. But in the long run, this argument may not sustain, retail marketers need to understand the changing technological environment and how new technologies can serve human needs. They need to work closely with research and development people to encourage more consumer oriented research. The retail marketers must be alert to the negative aspects of any innovation that might harm the users and create consumer distrust and opposition.

5. DEMOGRAPHICENVIRONMENT

The first environmental fact of interest to retailers is population because people make up markets. Retailers are keenly interested in the size of the population, its geographical distribution, density, mobility trends, age distribution and social ethnic and religious structure. Demographic structure is seldom static for long and changes in its composition often test the residency of a marketing firm. Further, these changes influence the behaviour of consumers which, in turn, will have a direct impact in the retailer's business. The ripples of these changes will reach the organisation forcing it to alter or amend the existing marketing practices in vogue. In short, Retail firms, will have to continuously measure the changes - qualitative as well as quantitative - that are taking place in the population structure. To avoid negative consequences brought on by active consumer groups, a retailer must communicate with consumers, anticipate problems, respond to complaints and make sure that the firm operates properly.

RETAIL TRENDS IN INDIA:

- Indian retail industry is the second largest employer in the country with almost 12million retail stores in India.

- The Indian retail sector is highly fragmented with more than 90 per cent of its business being carried out by traditional family run small stores. This provides immense opportunity for large scale retailers to set-up their operations – a slew of organized retail formats like departmental stores, hypermarkets, supermarkets and specialty stores are swiftly replacing the traditional formats dramatically altering the retailing landscape in India.

- India is the third-most attractive retail market for global retailers among the 30 largest emerging markets, according to US consulting group AT Kearney’s report published in June 2010.

RETAIL-MARKET SIZE

- The total retail sales in India will grow from US$ 395.96 billion in 2011 to US$ 785.12 billion by 2015
- Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment.

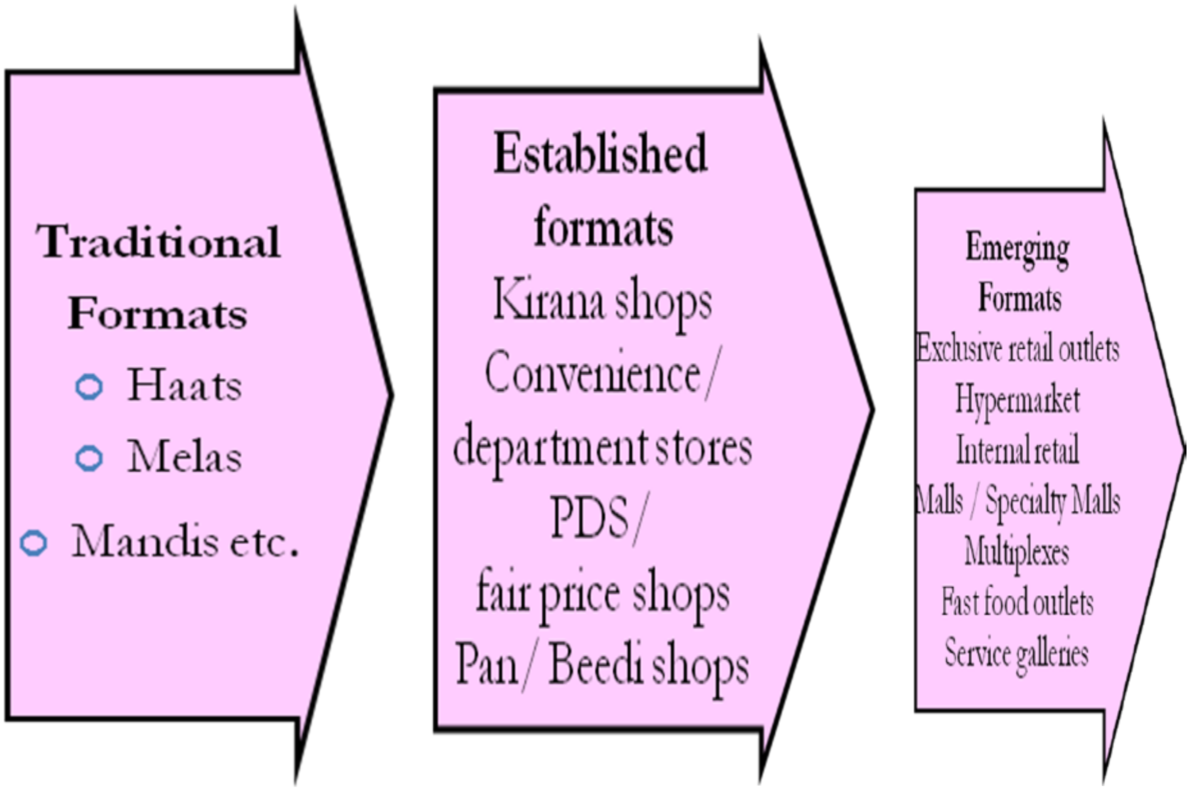
Economic Justification for retailing

All middlemen basically serve as purchasing agents for their customers and as sales specialists for their suppliers. To carry out those roles, retailers perform many activities, including anticipating customer's wants, developing assortments of products, acquiring market information and financing.

It is relatively easy to become a retailer. No large investment in production equipment is required, merchandise can often be purchased on credit and store space can be leased with no 'down payment' or a simple website can be set up at relatively little cost. Considering these factors, perhaps it's not surprising that there are just over a 6 million retail outlets operating across the Indian cities from north to south and from east to west. This large number of outlets, many of which are trying to serve and satisfy the same market segments, results in fierce competition and better values for shoppers.

THE IMPACT OF RETAILING ON THE ECONOMY

Evolution of Retail:



- Barter System was known as the first form of retail.
- As time passed currency was exchanged with goods and services.
- Hawkers carried out the first Retailing in Push Carts
- Followed by Kirana Stores …….. Mom and Popup Stores
- Finally Manufacturing era necessitated the small stores and Specialty stores
- It was a seller market still than this point of time with the limited no of brands available

- Barter chain → Single brand franchise chain →Standalone large store <_Chain of large stores And Finally Malls

- Economist says that Boom has Started of Retail due to more spending Capacity of Indian.
- Provide customers with 3 V's i.e. Value, Variety and Volume.

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

SKILLS NEEDED FOR ORGANIZED RETAILING

The skills needed for organized retailing encompass many activities, like deciding on stock levels, the product mix, brand mix and human relations, customer and employee management skills dealing with regulatory authorities and cost control. Merchandising and supply chain management, in addition to customer service is how we could summarise the range of activities performed at an average retails store.

As the retailing scenario evolves in India we will see many changes in the types of retail stores their sizes and competitive strategies. For example, the major retail chains in India are upmarket and the concept of discount stores is just catching on. Also, the food stores seem to be the major growth area, followed by garment -based retailing.

OVER VIEW / RECENT TRENDS IN THE INDIAN RETAIL SECTOR

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

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

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

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

FACTORS UNDERLYING TRENDS OF MODERN RETAIL IN INDIA

The earlier part of this lesson has provided some information that enables the construction and analysis of recent trends in the Indian Retail Industry. The driving forces towards that trend can be broadly classified into the following categories.

i) Economic development
ii) Improvements in civic situation
iii) Changes in government polices
iv) Changes in consumer needs, attitudes and behavior
v) Increased investment in retailing
vi) Rise in power oforganized retail.

The development of the Indian economy is a necessary condition for the development of the Indian retail sector. The growth of the economy can provide gainful employment to those who would otherwise enter retailing in areas like roadside vending and other similar low cost entries into the **retail sector**. The growth of modern retail is linked to consumer needs, attitudes and behavior. Marketing channels including retailing emerge because they receive impetus from both the supply side and the demand side. On the demand side, the marketing channel provides service outputs that consumer's value.

In Indian retailing, convenience and merchandise appear to be the most important factors influencing store choice, although ambience and service are also becoming important in some contexts. Store ambiance includes such as lighting, cleanliness, store layout and space for movement.
The government of India has clarified on a number of occasions that foreign dried investment will not be permitted in India in the retailing sector. Major international retailer organizations are waiting for signals ofpolicy change especially in the wake of Chinese permission for foreign investment in its retail. In opening up the retail sector, the government may consider various approaches such as insisting an joint ventures, limiting the foreign stake, or specifying the cities where investment is permitted.

Although FDI is not yet permitted in retailing, a number of global retailers are testing the waters by signing technical agreements and franchises with Indian firms. Fast food chains like McDonald's and Pizza Hut are already operating in the metres. A Marks and Spencer Store is already operational in Mumbai. Recent trends show that industrial groups such as Reliance and Raymonds have been active in encouraging development of well appointed exclusive showrooms for their textile brands. Industrial houses like Rahejas, Tatas have entered retailing. Several Indian and foreign brands have used franchising to establish exclusive outlet for their brands.

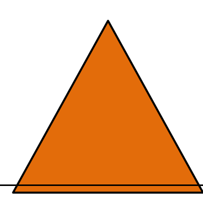
SUMMARY:

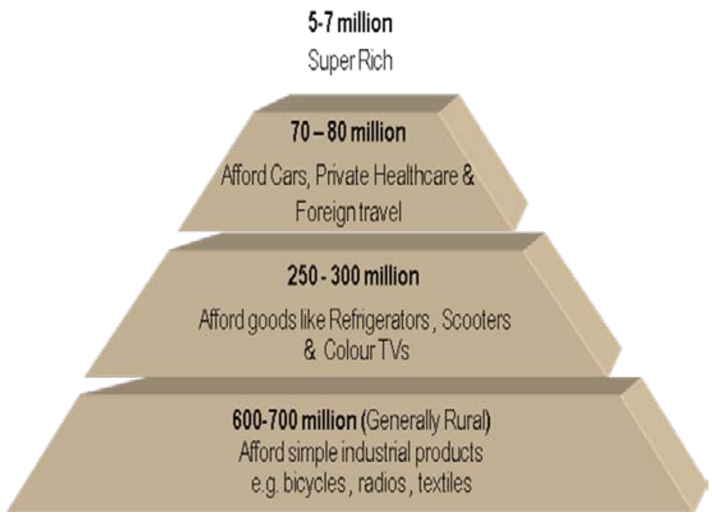
The Indian retail sector is largely traditional but stores in modern format are emerging. Though the contribution oforganized retailing in the retail sales in India though small in the last decade, but currently it is picking up very fast spreading their activates not only in metros but in other cities. Modern management techniques are used in managing the affairs of retail sector. Firms will need to proactively review their sales structures, brand activates, logistics policy and price structure to cope with pressures from powerful retailers.

REASONS FOR THE GROWTH OF INDIAN RETAIL INDUSTRY(PART- A)

- Robust economic growth
- High disposable income with the end-consumer
- Rapid construction of organized retail infrastructure are key factors behind the forecast growth.
- Expansion in middle and upper class consumer base
- Growth potential in India’s tier-II and tier-III cities as well.
- The greater availability of personal credit and a growing vehicle population providing improved mobility also contribute to a trend towards annual retail sales growth of 12.2 per cent.

Driven from Consumption Throughout the 1.1 Billion Population

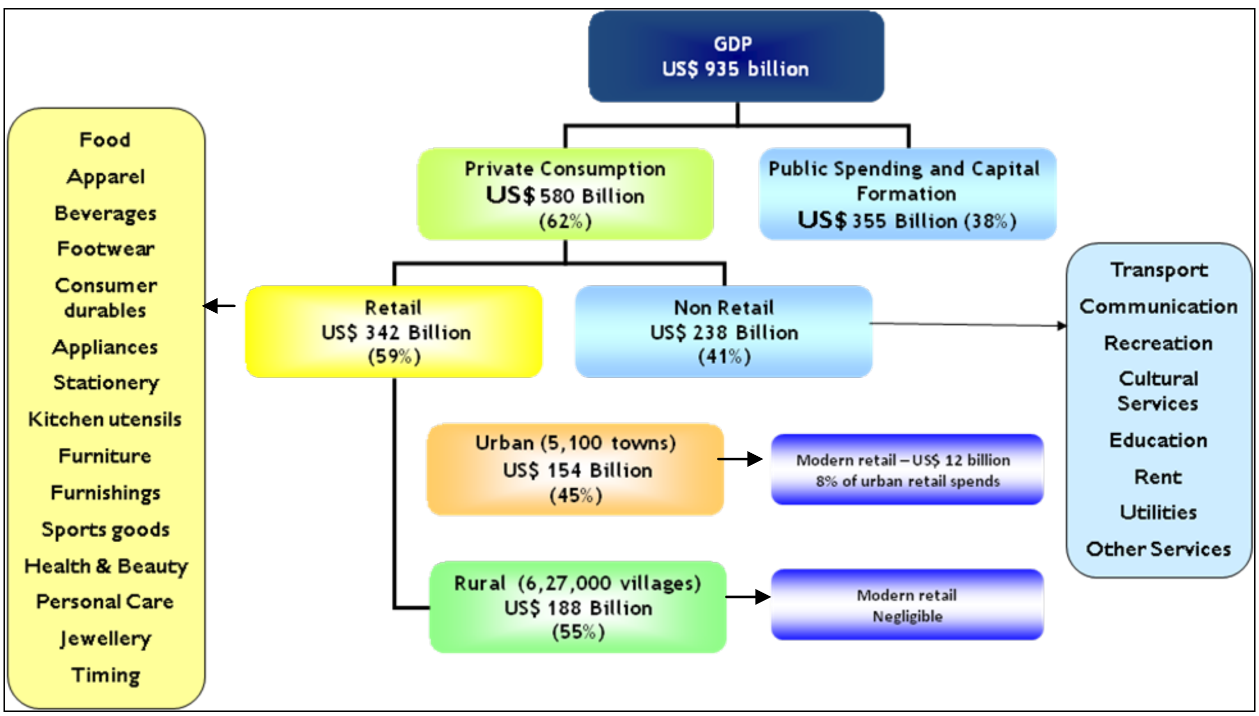




Source: McKinsey

New Concepts & Trends

1. Vertical Retail Concept: Traditional stores and Shop-in-Shop concepts – mixture of system and individuality, e.g. Sale of Non-food items like newspapers, magazines with snacks, beverages
2. Consumption Related Trends: Increasing Consumers with Purchasing Power & More Migrant Consumers Demand for Broad selection of Products Demand for Good quality Products e.g. Honest, Original and Green Products.



TOP 10 MAJOR RETAILERS IN INDIA

S.NO.	RETAIL CHAIN	FOUNDED	REVENUES (INR IN MILLION)	NUMBER OF STORES
1.	Future group	1997	32,360	>1085
2.	RPG (Spencer's)	1996	167,160	>900
3.	Tata Group (Trent)	1998	2,985,070	443
4.	ITC	2000	243,600	323
5.	Reliance Retail	2006	1,658,060	>700
6.	Bharti retail	2007	1,50,000	7
7.	Shoppers Stop	1991	1,20,690	137
8.	Landmark	1998	11,940	>112
9.	Videocon	1985	15,000	701
10.	Aditya Birla Retail	2007	1146680	>602

Source: India Retail Report 2009, Images Multimedia

India's Largest retail Chains:

1. PDS: 463,000
2. Post offices: 160,000
3. KVIC: 7,000
4. CSD Stores:3,400

(source business world marketing White book 2005)

KEY PLAYERS IN FOOD, GROCERY AND GENERAL MERCHANDISE RETAILING

Value Retailers

Value Retailers	Store Name
Pantaloon Retail	Big Bazar
Shopper's Stop	Hypercity
Trent	Star India Bazar
Subhiksha	Subhiksha
Pyramid Retail	Pyramid Megastore
RPG Retail	Spencer's Hyper
Vishal Retail	Vishal Mega Mart
Shoprite	Shoprite
Landmark Group	Max Retail
Reliance Retail	Reliance Mart

Convenience Stores / Supermarkets

Value Retailers	Store Name
Nilgiri's	Nilgiri's
Spinach	Spinach
Trinethra – AV Birla	More
Reliance Retail	Reliance Fresh

Major Retail Players of India

- Pantaloon Retail India Ltd. (PRIL)
- RPG Retail
- Shopper's Stop Ltd.

- Landmark Group
- Trent India Ltd.

<u>There are many problems face by Retail industry in Indian Market. They are following</u>:-

- ✓ **The format does not suit rural India**:
  While the format suits the urban areas, it does not suit the rural areas in a country like India. Today, in Indian, organized retailing is confined to class A cities, the 23 largest cities. About 82 per cent of organized retailing comes form the top six cities and another 12 percent from the next four. Thus, the top 10 cities account for 94 per cent of all organized retailing in India. The scattered location of consumers has been the main deterrent to the rapid spread of the idea in the rural areas.

- ✓ **Purchasing patterns not very conducive**:
  Even in urban centers, the purchasing patterns of the Indian consumers differ form those of westerners. Whereas in the west, the purchases are spread better over the month, in India. Purchases are by and large made in the first week of the month. Theirs perhaps has a correlation to patterns of payment of wages; Purchasing patterns differ also because of the difference in the eating habits of people.

- ✓ **Inadequate growth of brands**:
  Inadequate growth of brands is another factor, In India, branding was almost not-existent in convenience products until recently; this has naturally inhibited retailing through sophisticated chains. Supply chain problems: As suppliers are not properly organized in the country, replenishment of stock poses problems for large chains. Source development also poses special problems.

<u>Being family businesses, retailing enterprises have limitation in expansion;</u>

Yet another reason for the slow pick up of mega retailing idea in India is that all along retail enterprises have been family concerns. And, family businesses usually have a limitation in expansion,

Example of Vivek's; The Vivek's (Formerly Vivek's & Co.) of Chennai, is an example. For the past several years, it remained rather small because of its family character. During the three decades from 1965 to 1995, it had just three showrooms. It was a family concern and remained for a long time, a single store outfit, managed by the father and assisted by his three sons. Once the father grew old, the sons started managing the business, and because there were three sons engaged in the business, the enterprise went in for three showrooms. In recent years, however, it has emerged as a major chain, as it has shed its family business character, now it is actually the largest consumer durable chain in the country. It has big sales volumes and multiple locations.

Real estate problems; Real estate is an integral requirement of large scale chain store operation. One needs a large number of stores in each city to achieve optimum scale. Also, big chains have to operate in several cities. Real estate thus becomes crucial. That is why groups that have been in real estate and hotel businesses are more comfortable in branching off into retailing. Fro other firms, real estate development are a problem; they don not command property in prime locations.

Other Limitation of Retail Industry

- The organized retail industry in India is faced with stiff competition from the unorganized sector.
- There is a shortage of quality real estate and infrastructure requirements in our country.
- Opposition to Foreign Direct Investment from small traders affects retail industry.
- A very high stamp duty on transfer of property affects the industry.
- Shortage of retail space in central and downtown locations also hinders the growth of retail industry.
- Presence of strong Pro-tenancy laws makes it difficult to evict tenants and this is posing problems.
- Land-use conversion is time consuming and becoming complex.
- For settling property disputes, it consumes lot of time.
- Non residents are not allowed to own property except they are of Indian origin.
- Inadequacies in infrastructure such as lack of high quality road networks, power shortages and insufficient storage spaces
- The retail industry loses to the tune of US$120 to US$130 million every year in frauds ,thefts and employee pilferage, shop lifting, vendor frauds or inaccurate supervision despite using standard and modern security features.

AN OVERVIEW OF GLOBAL RETAILING

All over the world, retailing is undergoing a process of evolution and is poised to undergo dramatic transformation. With special reference to India, the retail sector employs over 10 percent of the national work force but is characterised by a high degree of fragmentation with over 5 million outlets, 96 percent of whom are very small with an area of less than 50 m2. The retail universe doubled between 1986 and 2006 and the number of outlets per 1000 people at an All India Level increased from 4.9 in 1988 to 14.8 in 2006. Because of their small size, the Indian Retailers have very little bargaining power with manufacturers and perform only a few of the flows in marketing channels unlike in the case of retailers in developed countries.

The corner grocer or the 'Kirana' Store is a key element in the retail in India due to the housewifes unwillingness to go long distances for purchasing daily needs. Although convenience and merchandise were the two most important reasons for choosing a store, the choice interia varied across product categories. Convenience was indicated by consumers as the most important reason in the choice of groceries and fruit outlets, chemists and life style items while merchandise was indicated as the most important in durables, books and apparel.

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

Thailand is one of the countries whose economy has developed rapidly in recent years. There has been a tradition of independently owned outlets called shop houses. These outlets are run by families, with the shop located on the ground floor and the family's living quarters on upper floors. Thailand's first departmental store opened in 1956 and the first shopping centre in (1967). Discounts and super stores were introduced in 1989. However, the presence of super market format has been low due to ingrained habit of buying fresh produce. Speciality stores were just emerging in Thailand in mid 1990s. Another country where the development of the retail sector has also followed an interesting path is Brazil. The concept of self service in shopping was introduced to Brazil in 1953 but until 1972, there was no foreign influence in the Brazilian retail sector. Food retailing especially, contained to be Brazilian owned and managed although international innovations were adopted. The number of intermediaries in marketing channels is decreasing as the operation of wholesalers is under threat from the direct contact between retailers and suppliers, although few specialized distributors have emerged who provide value added services such as distribution of frozen and chilled food.

GLOBAL RETAIL INDUSTRY

Although the present ideas and innovations are all well thought out and are giving in short term results, the Indian organized retailing is still in its e evolutionary stage. At every point all retailers are vying for there presence and the resultant picture to the consumer is all too confusing. In the maturing process, retailers need to address this primary issue of differentiating themselves and forming niches to cater to their specific market rather than make a rat race. Retailers need to understand the value of retail as a brand rather than remaining as retailers selling brands. Indian retailing is coming of age and needs to have a clear brand proposition to offer the discerning Indian retailing is coming of age and needs to have a clear brand proposition to offer the discerning Indian consumer. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

There is no doubt that the retail business is gravitating from high street towards destination shopping. Brand building constitutes a way in which the main value of the retail store shifts to what has been traditionally called an intangible. However, the characteristics of the branding process, which are of interest to the retailers, are still the characteristics of the traditional product brands - they are simply extended to the intangible part of the business. Thus, the characteristics of a branded product are simply applied in a different space. Successful retailing has always been said to be, about getting the nitty-gritty right of merchandising, forecasting, the supply chain, training and recruitment of high quality personnel and category management. Building retail brands that offer value will, in future, overshadow all these areas, and emerge as the dominant reason for the success of the organized Indian retailer. Indian retailers should also understand that the retail experience has become a popular leisure activity and they are vulnerable to any new competition for customers' entertainment. Indian retailers must build their brands with images that seek to entertain and involve their customers. It is the quality and value of the retail brand that they have sought to establish that will determine the loyalty of the retail shopper in future.

Marketing skills have traditionally been weak in India due to a protected market in the past, so has a long-term global vision, unlike the Japanese or Korean goods manufactures. The American service companies, and the Asian manufacturing companies should be the role models for strategic thinking and vision. This vision should be combined with hard work that is required to make a sustained impact on the global scene. India's global ascendancy in recent years has been driven by the IT-based service industries. This has been made possible due to years of pioneering work done by companies such as Tata Consultancy Services (TCS) and Tata Burroughs Limited (this company no longer exists), and followed up by several other companies, notably WIPRO and Infosys for several years now. In recent times, the BPO market has seen India becoming a major player, with low-value added jobs migrating to India. This has happened in two ways. One, the multinational companies (say, GE or HSBC) transferring their own operations to India and running them, or outsourcing the operations to third party Indian BPO operators (like British Rail has done). India's global ambitions have been very limited in the past, with efforts usually limited to traditional goods such as spices, gems and jewellery and textiles.

However, in the past decade, a host of factors have changed the thinking of Indian industry. For one, the winds of globalisation ushered in by the reforms have brought global brands into India. We now have McDonald's, Pizza Hut and Thank God It's Friday already operating here. In a few years we may also have a Wal-Mart here. This has given a boost to the ambitions of Indian marketers. NIIT already operates in foreign countries in the computer education field. Many other service brands may now begin to think global. For example, the Indian movies are slowly beginning to make inroads into foreign markets. Apart from traditional markets like the Middle East, the Hindi movies are finding mainstream audiences in the west too. Animation studios in India are capable of doing quality work for a fraction of the costs that western outfits charge, and therefore may succeed in taking a share of this market.

Most important in the process of globalisation is the mindset of companies that are globalising. Usually it implies looking at the world as your marketplace, rather than any one country. In this regard, the American service firms in some categories have been truly global in their outlook. We have the food giants like McDonald's, banks like Citibank, retailers like Wal-Mart, and investment bankers like a Morgan Stanley, not to mention consulting firms like Accenture and Internet portals like Yahoo.

GLOBAL ENTRY STRATEGY

One of the major issues for a globalising company is that of the correct strategy in terms of standardizing its service product. Several companies and business leaders have argued about standardization or customization being the 'right' approach. One useful approach is to think global, and act local, as per the needs

of the local markets. For example, the McDonald's does not offer beef burgers, its most popular item in most other markets, in India. However, many other products on its menu remain the same, or similar. This is because the company has to take care of local sentiments. Similarly, an Indian restaurant offering food to Americans may have to follow more stringent laws about kitchen hygiene in western countries.
Some changes in products or practices are due to the environmental factors such as the law, the local environment or the customer sentiment. Other changes may be due to fine-tuning of the service to suit local customer tastes or preferences. For example, hotels in India offer a lot of personal services to guests, some of which could be eliminated if the hotel were to start operations in the US where guests may be comfortable doing things on their own, rather than being served by a person.

Other examples could be about the use of technology, or timings to suit local needs, and of course, the amount of spices in food served. For example, the Chinese food served in India differs a lot from that served in western countries such as the US. It is made a lot spicier in India to cater to local taste buds. The level of hygiene and cleanliness would be a factor (not to mention the malpractice laws) that has to be particularly kept in mind for a hospital from India if it intends to operate in the US.

1. Retail sales driven by Ability (disposable income) and willingness (consumer confidence)
2. Worldwide retail sales Est.$7 Trio.
3. Expenditure on Household Consumption increased by 68% between 1980 and 1998
4. Top 200 retailers account for 30% worldwide demand
5. Over 50 of the Fotune 500 and 25 of Asian Top 200 are Retailers

Top Retail Players of the World

COMPANY	COUNTRY OF ORIGIN
WAL MART	US
CARREFOUR S.A	FRANCE
THE HOME DEPOT	US
METRO AG	GERMANY
TESCO	US

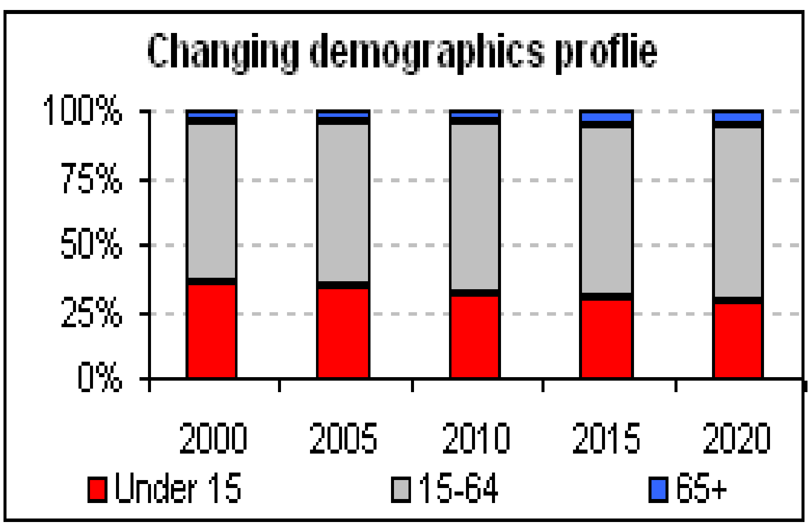
Source: McKinsey Report.

Global Heavyweights in Indian Retailing

Joint Ventures	Product Range	Retail Formats
Bharti-Walmart (with $2.5 Billion investment by Bharti)	Food & grocery, electronics & appliances, clothing & footwear, furniture & furnishing, household articles.	Hypermarkets, Supermarkets and Convenience
Carrefour-Landmark	Food and groceries, FMCG, apparel and electronics	Hypermarkets
Home Retail Group plc - Shopper's Stop Ltd and Hypercity Retail India Private Ltd	Franchising the Argos concept under the terms of the arrangement, Argos will be providing its brand, catalogue and multi-channel expertise and IT support	Multi Channel propositions
Tata-Woolworths	Sourcing agreement for Consumer durables and Foods under brand name CROMA	Multi brand retail chain
Staples Inc – Pantaloon Retail	Global Sourcing of Office equipments across various businesses	Cash and carry
Reliance	Food & grocery, electronics & appliances, clothing & footwear, furniture & furnishing, household articles.	Multi format and Multi Category
Birla	Food & grocery, electronics & appliances, clothing & footwear, furniture & furnishing, household articles.	Convenience and Supermarket

The 10 Largest Retailers in the U.S

Rank	Company	$ Sales (million)	# of stores	# of employees
1	Wal-Mart	219,812	4,414	1,383,000
2	Home Depot	53,553	1,348	256,300
3	Kroger	50,098	3,534	288,000
4	Sears	41,078	2,960	310,000
5	Target	39,362	1,381	223,500
6	Albertson’s	37,931	2,400	220,000
7	Kmart	37,028	2,150	240,525
8	Costco	34,797	369	64,500
9	Safeway	34,301	1,773	193,000
10	J.C. Penney	32,004	3,770	270,000



Summary

Retailing is the sale of goods and services to ultimate consumers for personal, non-business use. Any institution may engage in retailing, but a firm engage primarily in retailing is called a retailer. Retailers serve as purchasing agents for consumer and as sales specialists for producers and wholesaling middleman. They perform many specific activities such as anticipating consumers' wants, developing product assortments and financing.

CHALLENGES AND OPPORTUNITIES OF RETAIL MANAGEMENT

1. **THE KIRANA**

- CRM practice
- Known about the customer's families
- Credit and home delivery
- Consumer familiarity runs from generation to generation
- Open longer hours and stock most of the goods
- Consequently, a large number of customers are not willing to pay a premium for the shopping experience promised by large format retailers.

2. **HIGH COSTS FOR THE ORGANIZED SECTOR**

- High expenses to organized sector .
- The lease cost up to 6-10 percent of sales
- Manpower cost is lower at 5-6 percent of sales
- Capital costs are more in retail business due to major renovations needed every 5-7 years.

3. **HETEROGENEOUS MARKET**
   a. Product offerings in different stores across the country will be very different
   b. No standard mode of operation across formats
   c. Market not mature (has to be validated).

4. **INFRASTRUCTURE WILL BRING ABOUT LOGISTICAL CHALLENGES**
   a. Though, improvements in road networks, power supply are underway.

5. **Trained employees with understanding of retail business are inadequate compared to the needs of organized retail**

6. **BARRIERS TO ENTRY**
   a. High taxes, bureaucratic clearance process and labour laws

7. **HIGH COST OF REAL ESTATE**
   a. though over 600 malls are to come up all over the country by the next 4 years.Indian retailers are deeply entrenched, are expanding and building on logistics and technology initiatives.

8. **PROCESSES**

- Complex Processes - Multiple MRP, Deals & Promotions, Forecasting & Replenishment, Lean supply chain – JIT inventory, flow through warehouse
- Evolving processes in Supply chain & merchandising. Global Best Practices not adopted

9. **CONSUMER**

- High disposable income
- Changing consumer preferences
- 28 states, 100+ religion, 250+ festivals

10. **INFRASTRUCTURE**

- Supply chain not reliable. Cold storage infrastructure evolving
- Outsourced transportation
- Low level automation in warehouses

11. SUPPLIER/VENDOR

- Little or no collaboration between vendor & retailer
- Low fill rates from vendors
- Highly localized assortments leading to relationship with multiple vendors
- Complex trading contracts and off invoice discounts

12. Current IT

- Multiplicity of disparate Systems & Data Formats
- No architecture roadmap
- Base ERP and home grown POS solutions. Low investments in store systems
- No investments in planning & optimization technologies

13. **Weakness of Player**

- Retail not being recognized as an industry in india.
- The lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

14. **The high cost of real estate**:

- Real estate price in some cities in India are amongst the highest in the world.
- The lease or rent of the property is one of the major areas of expenditure, high lease rentals eat into the profitability of a project.

15. **Lack of adequate infrastructure**

- Poor roads , lack of a cold chain infrastructure, etc , hamper the development of food and fresh grocery retail in india.

16. **Multiple and complex taxation system**

- The sales tax rates very from state to state while organised players have to face a multiple point control and tax system,there is considerable expense to transfer good from one store to another.

17. **Foreign direct investment**:-

- The fact that foreign direct investment(FDI)is not permitted in pure retailing is seen as one of the prime reasons for the slow growth of retail in India.
- A global retailer can enter India only by way of a franchise with an Indian partner or through technological alliances.

18. **Purchasing power of money**

- As the Indian population mostly consist of middle class families and low wages worker they don't want to go in the super market or retail market

The existing supermarkets and food retailers have to invest a substantial amount of money and time.

Opportunities for Retail market:

- **Supply Chain Investments**
  - Setting up logistics and supply chain infrastructure
  - Import of know how and logistics techniques from developed retail countries
- **IT Infrastructure**
  - IT is the enabler behind communication, collaboration with suppliers, and an efficient supply chain.
- **Manpower**
  - Potential tie-ups with universities and setting up dedicated retail institutes
  - Utilize experience of international retailers to train local talent

- **Large Rural market**
  - There is a huge untapped opportunity in the retail sector, thus having immense scope for new entrants, driving large investments into the country.
  - A good talent pool, huge markets and availability of raw materials at comparatively cheaper costs are expected to make India lead one of the world's best retail economies by 2042.
  - The industry is also slated to be a major employment generator in future.
  - India is amongst the least saturated of all major global markets in terms of penetration of modern retailing formats.
  - Many strong regional and national players emerging across formats and product categories.
  - Most of these players are now gearing up to expand rapidly after having gone through their respective learning curves.
  - Real Estate Developers are also moving fast through the learning curve to provide qualitative environment for the consumers.
  - The Shopping Mall formats are fast evolving. Partnering among Brands, retailers, franchisees, investors and malls.

GOVERNMENT OF INDIA POLICY IMPLICATIONS ON RETAIL

✓ CONTRIBUTION OF 'FDI' IN RETAILING

Permitting Foreign Direct Investment in the retailing sector can have immense benefits. It can generate huge employment for the semi-skilled as well as illiterate population which otherwise can't be employed in the already confined rural and organized sector. The retail sector is highly dependent on the rural sector. Thus it can facilitate the improvement of the standard of living of farmers by purchasing commodities at a reasonable cost. It also stems out an indirect employment generation channel by training and employing people in the transportation and distribution sectors such as drivers, mechanics etc. It is also evident that real estate is a genuine challenge for organized retailing. Traditional retailers can use this situation in their favor by taking franchisees of the mega players of this industry. On the other hand, the consumer gains from the wide variety of choices and a more diversified basket of prices available under one roof. Secondly the indirect benefits like better roads, online marketing, expansion of telecom sector etc. will give a 'big push' to other sectors including the rural one itself. Last but not the least the huge tax revenue generated from these retail biggies and collected in government coffers will gradually wipe out the ugly looking fiscal and revenue deficits. Besides the transaction in foreign currencies by these MNCs will create a balance in exchange rate and will bring in stable funds in the economy as opposed to FII's hot money. This will in turn act as a boost to the developing (or 'transforming', as suggested by the USAID) economy of India.

At present, the government allows 51% foreign direct investment in a single-brand retail venture while 100% is permitted in wholesale cash-and-carry.

Under single-brand retailing a store can stock goods that have the same brand. In the wholesale cash-and-carry route, which most foreign retailers use, there is restriction on sale to individuals. These stores are only permitted to sell to outfits such as restaurants and kirana stores

- Foreign direct investment (FDI) inflows between April 2000 and December 2010, in single-brand retail trading, stood at US$ 66.69 million, according to the Department of Industrial Policy and Promotion (DIPP).

FDI in Multi Brand Retailing

- India's multi-brand retail sector, is estimated to be worth $28 billion (Rs 125,000 crore) according to a Boston Consulting Group (BCG) study.
- The government is likely to permit foreign direct investment (FDI) in the multi-brand retail sector from April 2012.
- The government prepared a draft in July 2011, which says 49 per cent FDI in multi-brand retail will be allowed in a phased manner which will be effective from the next financial year i.e. April 2012.
- The Committee of Secretaries (CoS) headed by Cabinet secretary Ajit Kumar Seth met on July 22 to finalise the blueprint of the proposal for political clearance. One of the major outcome of the discussion is raising 49% to 51%.

According to the the economic advisor to the Prime Minister, Kaushik Basu, the government will allow FDI in three phases. In the first phase, foreign multi-brand retail chains will be allowed in the metros Delhi, Mumbai, Kolkata and Chennai. In the second phase other metros like Bangalore, Hyderabad and Pune will be included.

The draft has laid out strict norms such as earmarking 40 per cent investment for backend infrastructure, such as cold storage, soil testing labs and seed farming, for prospective entrants.

- The move has paved the much-required way for international retailer like Bentonville, Arkansas-based Wal-Mart Stores Inc. and Paris-based Carrefour SA to open their retail stores through strategic partnerships.
- According to Business Monitor International, retail sales in India may jump from $396 billion in 2011 to $785 billion in 2015, representing a growth of around 100 per cent.

Retail - Government Initiatives

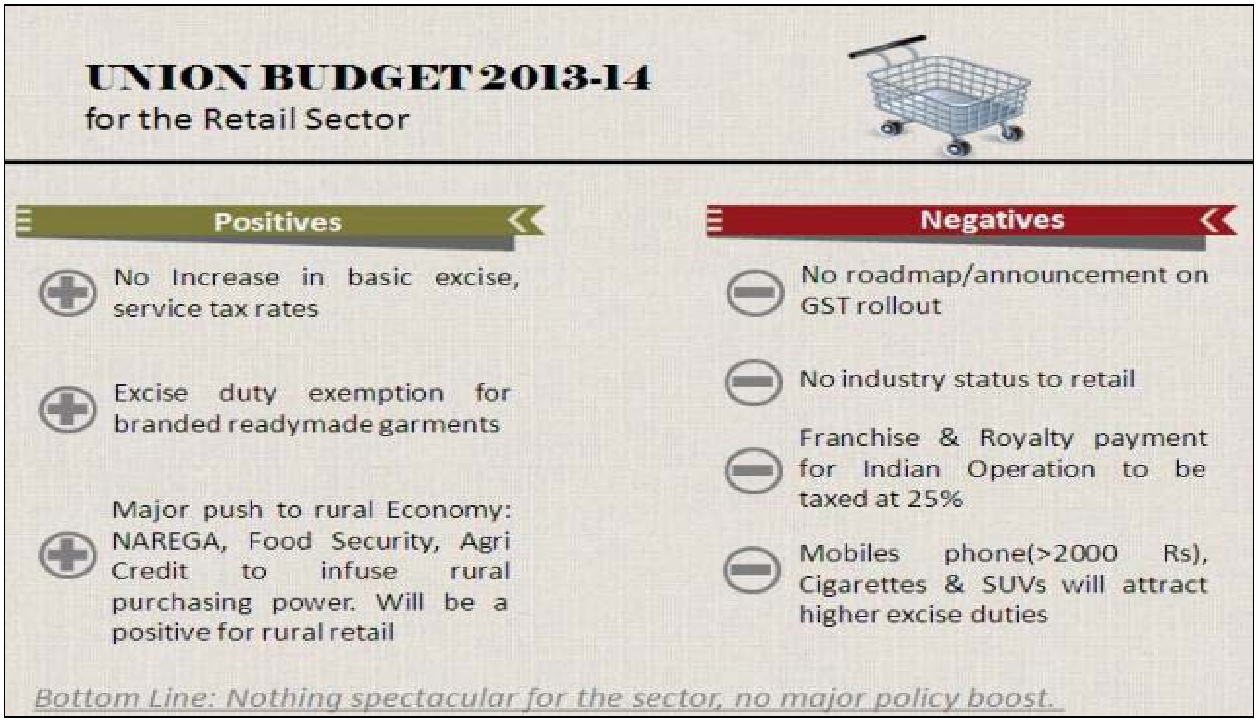
- India will announce new rules for foreign investment in retail by April 2012, paving the way for companies such as Wal-Mart Stores and Carrefour to open stores, according to Junior Trade Minister Jyotiraditya Scindia. A government panel has issued a report that recommends easing a law that prohibits non-Indian companies from operating multi-brand outlets. Allowing foreign investment in multi-brand retail may help moderate food prices, said Kaushik Basu, chief economic adviser in the finance ministry, who sits on the panel.
- India currently allows 51 per cent FDI in single-brand retail and 100 per cent in wholesale cash-and-carry operations.
- In a landmark decision, the government has eased norms for investments by foreign companies that are present in India through a joint venture (JV) or a technical collaboration. Now, the foreign company will not have to seek a no-objection certificate (NOC) from the Indian partner for investing in the sector where the joint venture operates.
- The government has also relaxed norms for downstream investments and convertible instruments, giving foreign companies more powers. The changes are part of the third revision of the Consolidated FDI Policy.

MERITS:

- to harm self-employment opportunities
- adversely affect the manufacturing sector
- harm small traders across the country.

DEMERITS:

- consumers will soon more options to choose products
- more and more investment in the backend
- Improve the standard of efficiency of supply chain management.



Latest Information on Indian Retail Scenario

- Singapore-based CapitaMalls Asia, which develops, owns and manages malls across Asia, has pledged US$ 400 million to its growth in India up till 2014. Mr Kevin Chee, CEO and Country Head of CapitaMalls Asia, has said that apart from funding the two malls that are operational now, this money would be used to develop seven more malls in India.
- Reliance Retail will enter the cash and carry market with "Reliance Market" in Ahmedabad; the first one to be opened by August 2011.
- Ujala fabric whitener maker Jyothy Laboratories has bought Henkel AG's 50. 97 per cent stake in its Indian subsidiary for US$ 137.02 million, including debt and preference shares, the two companies revealed. The deal includes Henkel's entire portfolio that includes Henko and Chek detergents, Pril dish cleaners and Fa deodorant, and rights to the multinational's future launches.
- With the launch of its first 'Arvind Experience Store' in Gujarat at Vadodara, denim major Arvind Ltd. is looking at 100 stores by the end of the financial year 2011-12. The store in Vadodara is the company's eighth in the country after seven stores in Andhra Pradesh.
- Quick food service restaurant chain Subway will set up 45 outlets across the country by 2011-12 entailing an investment of around US$ 9 million. The company has now 205 outlets in India and plans to take its count to 250 by the end of 2011-12.

- Max Hypermarkets, the food retailing chain of the Dubai-based Landmark Group is investing US$ 122.14 million for its store expansion business across 30 cities in India.

CONCLUSION

For a start, these retailers need to invest much more in capturing more specific market. Intelligence as well as almost real-time customer purchase behavior information. The retailers also need to make substantial investment in understanding/acquiring some advanced expertise in developing more accurate and scientific demand forecasting models. Re-engineering of product sourcing philosophies-aligned more towards collaborative planning and replenishment should then be next on their agenda. The message, therefore for the existing small and medium independent retailers is to closely examine what changes are taking place in their immediate vicinity, and analyze Whether their current market offers a potential redevelopment of the area into a more modern multi-option destination. If it does, and most commercial areas in India do have this potential, it would be very useful to form a consortium of other such small retailers in that vicinity and take a pro-active approach to pool in resources and improve the overall infrastructure. The next effort should be to encourage retailers to make some investments in improving the interiors of their respective establishments to make shopping an enjoyable experience for the customer.

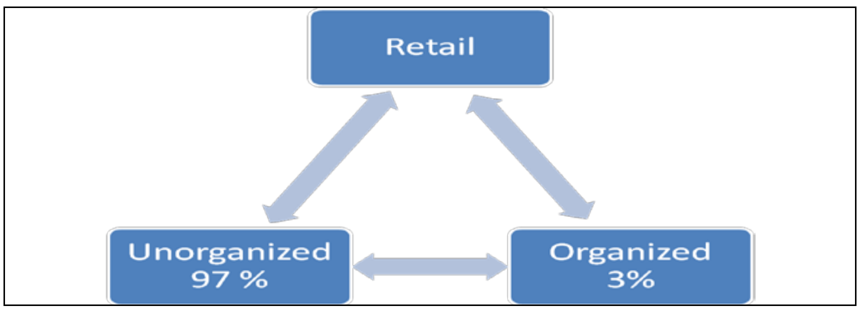
As the retail marketplace changes shape and competition increases, the potential for improving retail productivity and cutting costs is likely to decrease. Therefore, it will become important for retailers to secure a distinctive position in the marketplace based on value, relationships or experience. Finally, it is important to note that these strategies are not strictly independent of each other; value is function of not just price, quality and service but can also be enhanced by Personalization and offering a memorable experience. In fact, building relationships with customers can by itself increase the quality of overall customer experience and thus the perceived value.

UNIT –II

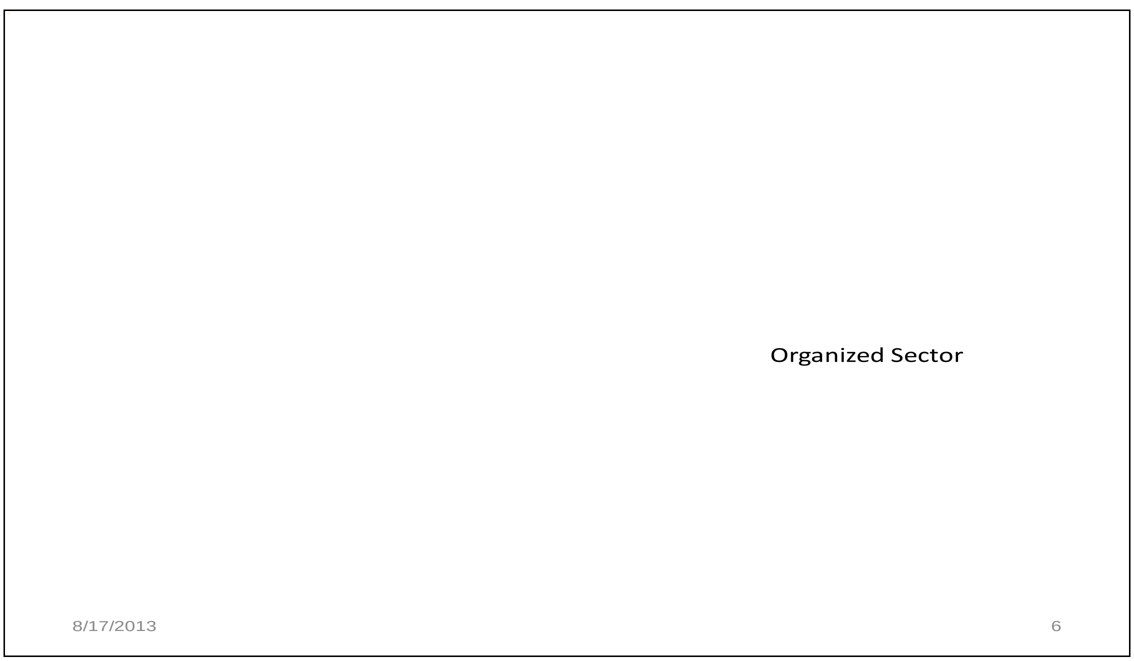
RETAIL FORMATS

<u>Organized and unorganized formats – Different organized retail formats – Characteristics of each format – Emerging trends in retail formats – MNC's role in organized retail formats.</u>

Retail Sector in India



Organised Retail Format

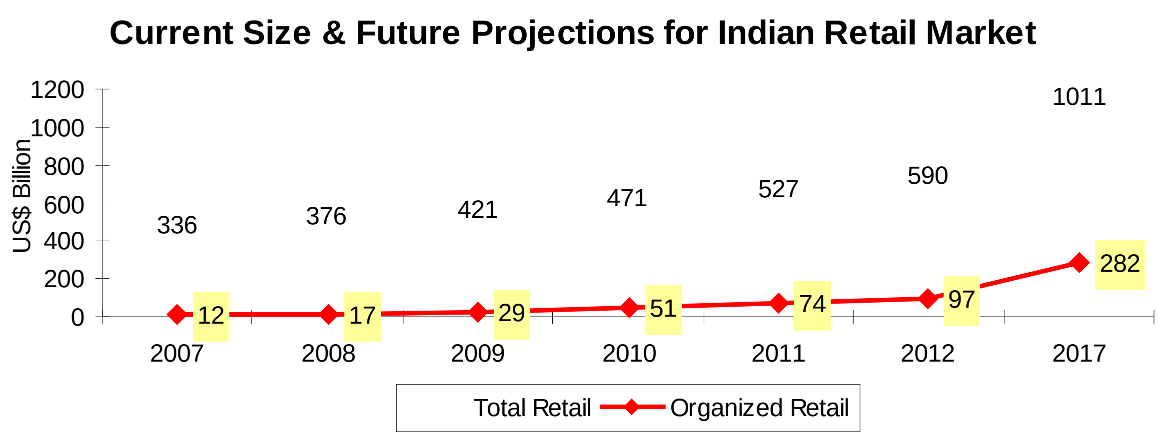


- In India Organised Retailing is 2%
- Retail sector highly fragmented
- Retail chains like Wal Mart, Sears, McDonalds brought Rapid Growth and consolidation of Organised Retail

- Rapid rise of Income levels and accompanying changes in lifestyles greatly contributed to growth of Organised Retail
- In India, increase in Disposable income, Purchasing Power of growing Middle Class conducive conditions for growth of Organised Retail
- Indian Retail environment different from that of western countries:
  - Cities congested, large population in rural areas
  - Smaller purchases, limited household space

ORGANISED RETAIL FORMAT

1. By 2006 - 200 Shopping Malls – Up from 25 in 2003
2. Expect by 2006, to develop 40 mio.sq.ft. quality Retail Space
3. 6 A Grade cities Delhi NCR, Mumbai, Bangalore, Hyderabad, Chennai, Kolkata will have 34 mio. and non metros Pune, Ahemadabad Ludhiana, Chandigarh, Jaipur, Lucknow, indore, Cochin 6 mio.
4. Delhi NCR will have 26 mio., Mumbai another 5 mio.



Organized retail is definitely a growing market, and there is a lot at stake for retail companies to profit from technology resources that give customers a better shopping experience. A report by Mumbai based financial services firm Enam Securities pegs that retail should capture about 10 percent of the market. If it were this then what would be the size of the market? A report by CII (Confederation of Indian Industry) says that the retail industry in India would have a market size of $ 300 billion (Rs.1,420,000 crore) by 2010, if it continues to grow as fast as the economy, which is about six to seven per cent. Much of the growth in the organized segment will be driven by the entry of established business houses into the retailing business like ITC with its wills Lifestyle chain and Tata group with its Westside chain of stores. Both are using technology to derive greater business efficiencies and benefit the customer.

Many retail companies are aware of latest technologies, and they are in various stages of improving their IT infrastructure to handle expected growth in business and consequently generate more business benefits. These are encouraging developments, but much more can be done. The problem is not of just adopting technology, which is happening, but of using it well, which is not. Organized retailing has started and remained mainly in the south of India.

Till 1996 there was no clear definition of retail formats, Nilgiris being the exception, though some other companies with mainline business in electronics and automobiles did start ill-defined, short-lived formats that did not establish a position in consumers minds in terms of clarity of offering. This is not to stay the government stores in Tamil Nadu did not serve the consumer. However, subsidy, charity, and philanthropy are not words that do well in organized retail. The Apna Bazaar chain in Mumbai did well to keep the business going, perhaps by finding a way out of the most compelling problem of growth of retail in Mumbai space, and at viable rates. The point to be kept in mind is that organized retail must deliver solid value to the consumers and profits to shareholders. Unsuccessful retail ventures are those that failed to balance two objectives.

Food World starts operations in Chennai. The Food World format, which covers 3,000-5,000 sq.ft., high street stores in a 1-2 km radius of a clutch of houses, 6,000 SKU's emphasis on fruits, vegetables, and staples, prices on par with local grocers but lower in select categories (to drive 'Destination' status), has probably been the most popular format so far. By its very survival as a sustainable business, it has created a benchmark by which organized retail can be defined.

In another first, the RPG group powered the concept of India's first hypermarket - Giant. Giant was a paradigm shift in organized retail in India and it was only after many lengthy debates and research that the composition of the offer could be decided on. There is no substitute for experienced personnel in this type of format. Nuances at the category, operational and cost level are not apparent to start with. Positioning the entire store in the mind of the consumer and delivering 'on-the ground' is the key to succeeding in this format. Why should this be different from any other business? Just for the fact that the daily business deals with 15,000 SKU's, 400 suppliers, thousands of consumers per day, seasonally, and impact of the likes of one-day international cricket transmission times is sufficiency to cause unknown, not so easy to quantity and comprehend changes in results. The complexity of the million-character field variability is sufficient to be an entry barrier to the business. This is as true for the hypermarket as for the smaller, local supermarkets as well.

The county where the development of the retail sector has also followed an interesting path is Brazil. The concept of self-service in shopping was introduced to Brazil in 1953 but until 1972, there was no foreign influence in the Brazilian retail sector. Food retailing especially, continued to be Brazilian-owned and managed, although international innovations were adopted (Alexander and Silva, 2002). In 1972, the Dutch group Makro entered Brazil followed by Carrefour in 1975 and A hold in 1996. The 1990s have witnessed the introduction of technological innovations in retailing like electronic data interchange (EDI), retailer credit cards, retailers' own brands and efficient consumer response (ECR). Organisations like Carrefour and Wal-Mart have set up centralized distribution centers with electronic communication with suppliers. The shopping centers are becoming important in the retail landscape because they provide a variety of entertainment facilities that draw people to the retail stores. The number of intermediaries in marketing channels is decreasing as the operation of traditional wholesalers is under threat from the direct contact between retailers and suppliers, although a few specialized distributors have emerged who provide value added services such as distribution of frozen and chilled food.

Organized retail success is based on the following concepts:

■ Location: In India there is no expressways connecting homes and large markets. Hence, the Indian consumer has to make-do with 'territorial shopping'. Over 90 per cent of shops regularly at one or two retail outlets in their neighbourhood for 75 per cent of their monthly needs.

A neighborhood can, therefore, take two distinct formats. Once a Food World type format that offers all the requirements of the kitchen and toilet as well as fresh produce. The other, an exclusive fresh produce format (could include meat and fish) that will bring freshness of produce closer to the home. And on the outskirts of cities will be large hypermarkets that are exciting by their very presence and size and range. Price adds to the ever-compelling reason to travel to these hypermarkets. The rules then for hypermarkets will be to have a mix of range and price that determines the tradeoff ratio of the consumer between getting it all in the neighbourhood and the 'compelling reason' which will entice the consumer to take a long ride. De Bono has helped us by discovering that our minds are capable of lateral thinking. So The most profitable realization that dawned on companies and progressive retailers alike was that sustainable business propositions lie in working together. This is not optional and those who did so are still around, and are likely to be so in the future. There are clearly some areas that have now become templates that drive the company-retailer relationship. New product introduction innovative new products are the lifelines of any company. Discerning retailers have been witnessing to failure of gimmicks in this area, where products launched with much fanfare and a costs that stake the bottom line, have all but failed to even get the consumer to repeat the product once. The space for brands at the top slot in categories is indeed narrow. While brand managers sitting in corporate offices agonize over which model to choose for the launch, the reality is that the product may never succeed to start with. Research has its place and it is tempting to repeat the oft-quoted corporate saying, "nothing can substitute the get fee".

■ Replenishment: An area that is a cause of the greatest concern for a retailer. The average replenishment from the top 20 FMCG companies is at 65 per cent.

■ Range redundancy; Companies introduce new products and delete slower moving ones from their range. This is well managed within the companies and stocks are liquidated in a timely manner. However, if these remain in the retailer's 'Product Master there is considerable wastage of time and effort in trying to order the non-existing SKU and in keeping precious store space earmarked for such stock unproductive. ■ Promotions: Promotion is the incentive given to the consumer to buy larger quantities or just to remain competitive. In self-service supermarkets top class retailers speak of the 'promotional feel' when the consumers enters the store. It adds to the value of the store through the excitement it provides the consumer. No matter where in the world, grocery consumers just love to see lots and lots of promotions. The better displayed and laid-out the SKUs promoted, the more enticing the looks.

However, the secret lies also in the selection of SKUs. The retail buyer who does not understand the meaning of price elasticity of demand cannot ever structure profitable promotions. The selection process of SKUs from thousands of probable is in itself the retailer. Companies need to study the category performance to be able to understand how brands fare. Retailers look at category performance in the first instance and then choose the brand that is likely to deliver the highest sales per square foot.

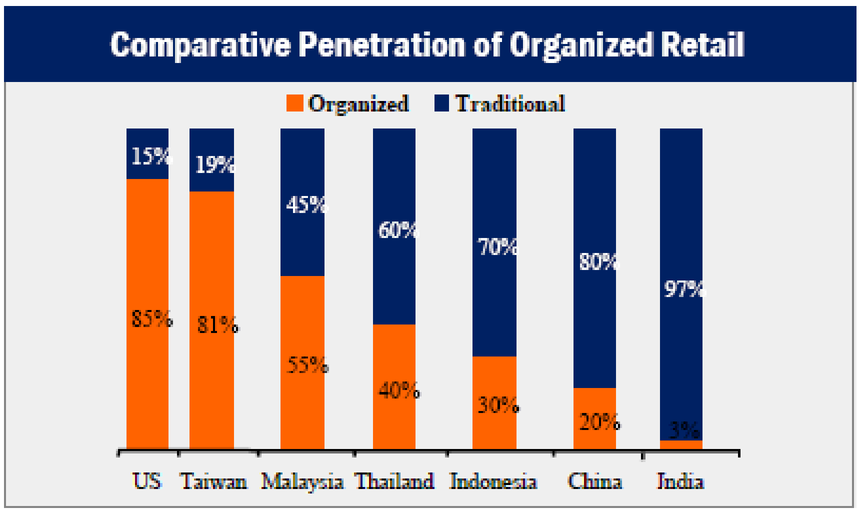
For new retailers entering the business, the excitement of the sunrise industry could quickly vapourize on encountering the complexity of the trade. A retailer needs to be multi-faced-to be able to work with 600 product categories, have expertise in fields ranging from agriculture to computer systems. It calls for people who have a passion for what they do and are able to stay motivated in times of downturn.

To be able to transparently deal with some of the best FMCG companies in the world, on terms that suit the retailer's needs, require size of business and vision translated into action on the floor. Successful retailing is not about equity (money) power only. It is about skilled people and a core team that will steer the retailer towards the vision set.

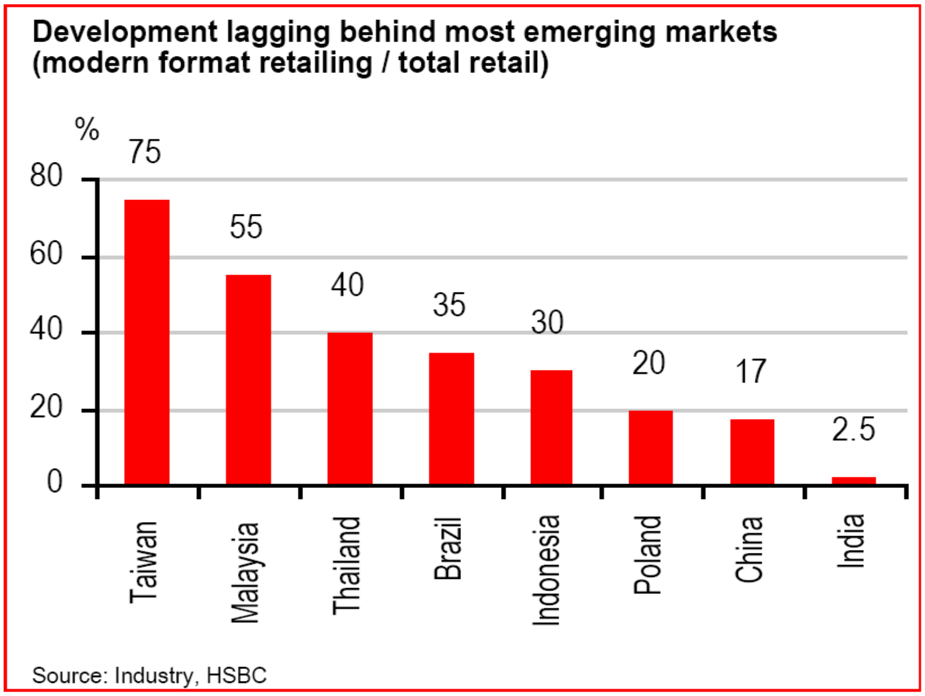
Existing retailers must prepare for a future where profits that will come entirely from the supply chain and not from 'reprising'. Disinter mediation is the key to unlocking hidden costs in the supply chain, no matter it is tomatoes from Hoskote or iceberg lettuce from Ooty, or soaps and cosmetics from FMCG companies. There will be demands on the retailer to show fairness and justice in dealings with even the smallest of suppliers, in order to build 'back-end loyalties'.

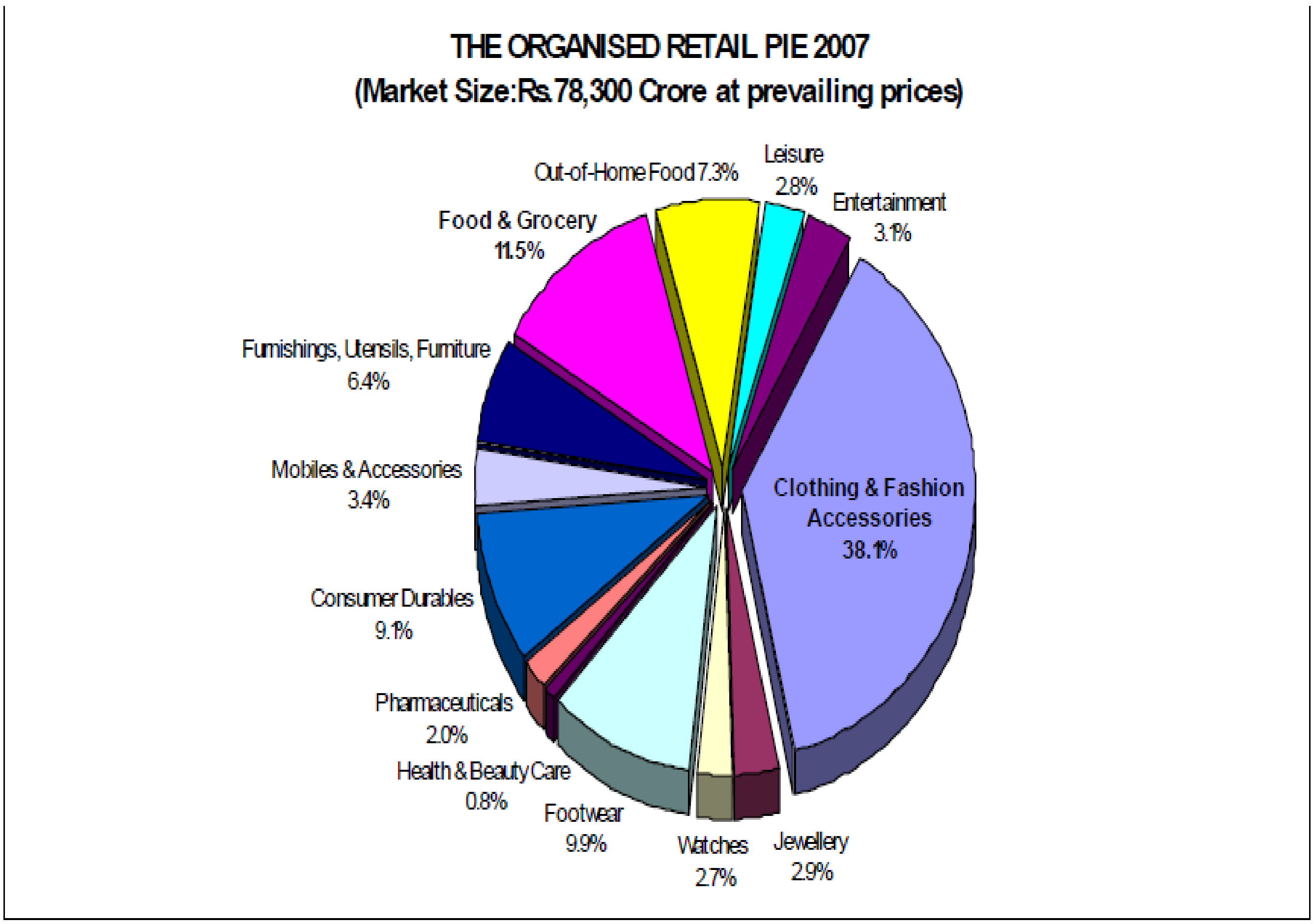
When all is said and done, only one factor eventually matters in successful retailing-SIZE. The quicker the size is reached the earlier will be the profits. The later the profits, the earlier will be the pressure to exist the industry or expand to reach the size through growth - which is never a good strategy.

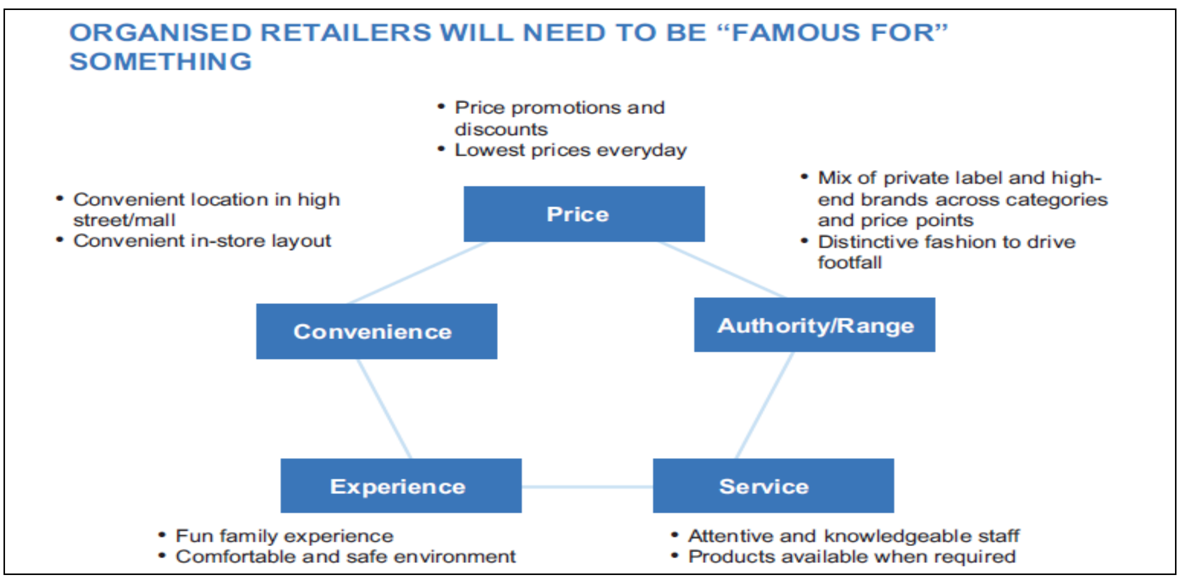
Share of Organized Retail



Organised Retail Penetration


Development lagging behind most emerging markets
(modern format retailing / total retail)
%
80
60
40
20
0
75
55
40
35
30
20
17
2.5
Taiwan
Malaysia
Thailand
Brazil
Indonesia
Poland
China
India
Source: Industry, HSBC


THE ORGANISED RETAIL PIE 2007
(Market Size:Rs.78,300 Crore at prevailing prices)
Out-of-Home Food 7.3%
Leisure 2.8%
Entertainment 3.1%
Food & Grocery 11.5%
Furnishings, Utensils, Furniture 6.4%
Mobiles & Accessories 3.4%
Clothing & Fashion Accessories 38.1%
Consumer Durables 9.1%
Pharmaceuticals 2.0%
Health & Beauty Care 0.8%
Footwear 9.9%
Watches 2.7%
Jewellery 2.9%



ORGANISED v/s UNORGANISED SECTOR

- The Indian retail market, over the last decade, has been increasingly leaning towards organized retailing formats.
- The pattern in domestic retailing is altering in the favor of organized modern retailing, a big change from the traditional plethora of unorganized family-owned businesses.

- Rapid urbanization, changes in shopping pattern, demographic dividend and pro-active measures by the Government are abetting the growth of the retail sector in India.
- Organised retail in India is expected to increase from 5 per cent of the total market in 2008 to 14 - 18 per cent of the total retail market and reach US$ 450 billion by 2015
- According to a report titled 'India Organised Retail Market 2010', published by Knight Frank India, during 2010-12 around 55 million square feet (sq ft) of retail space will be ready in Mumbai, national capital region (NCR), Bengaluru, Kolkata, Chennai, Hyderabad and Pune. Besides, between 2010 and 2012, the organised retail real estate stock will grow from the existing 41 million sq ft to 95 million sq ft.
- Driven by the growth of organised retail coupled with changing consumer habits, food retail sector in India is set to be more than double to US$ 150 billion by 2025.

UNORGANISED RETAIL SECTOR/FORMAT

Unorganized : Vast majority of the twelve million stores are small "father and son" outlets

Fragmented : Mostly small individually owned businesses, average size of outlet equals 50 s.q. ft. Though India has the highest number of retail outlets per capita in the world, the retail space per capita at 2 s.q. ft per person is amongst the lowest.

Rural bias: Nearly two thirds of the stores are located in rural areas. Rural

ORGANISED RETAIL SECTOR/FORMAT

Experimentation with formats: Retailing in India is still evolving and the sector is witnessing a series of experiments across the country with new formats being tested out. Ex. Quasi-mall, sub-urban discount stores, Cash and carry etc.

Store design : Biggest challenge for organized retailing to create a “customer-pull” environment that increases the amount of impulse shopping. Research shows that the chances of senses dictating sales are upto 10-15%. Retail chains like MusicWorld, Baristas, Piramyd and Globus are laying major emphasis & investing heavily in store design.

CLASSIFICATION OF RETAIL STORES

Retailing has changed dramatically from the day of the general store. Retailers range in size from small, independent, owner-operated shops like the local florist, dry cleaners, or barber, to national and international giant category killers. As the Indian retail market is just beginning to evolve, one again needs to look at the formats, which has evolved over a period of time in the west. The basic classification done is store-based retailers and non-store retailers. The store-based retailers can be further classified on the basis of the merchandise that they offer, or by the manner of ownership.

1. Classification on the Basis of Ownership

On the basis of ownership, a retail store can be an independent retailer, a chain retailer or a corporate retail chain, a franchise or a consumer co-operative.

An Independent retailer is one who owns and operates only one retail outlet. Such an outlet essentially features the owner and proprietor and a few other local hands or family members working as assistants in the shop. Many independent stores tend to be passed on from generation to generation.

In India a large number of retailers are independent retailers. Stores like the local baniya /kirana store and panwala, are examples of independent retailers, as are stores like Benzer, Instyle, Premsons, Amarsons, etc. The ease of entry into the retail market is one of he biggest advantages available to an Independent retailer.

Depending on the location and product mix that he chooses to offer, he can determine the retail strategy. The independent retailer often has the advantage of having a one to one rapport with most of his customers. However, on the flip side, the advantages of economies of scale and bargaining power with the suppliers are limited.

A chain retailer or a corporate retail chain: When two or more outlets are under a common ownership, it is called a retail chain. These stores are characterized y the similarity in merchandise offered to the consumer, the ambience, the advertising and the promotions. Examples in India include Wills Sports (ITC), Louis Phillipe, Van Heusen (Madura Garments), Arrow (Arvind Mills), and department stores like Globus, Westside and Shopper's Stop, Foodworld, Music World, Planet M, etc. are also examples of chain retailers.

The biggest advantage that a chain retailer has is the bargaining power that he can have with the suppliers. Cost effectiveness is also possible in advertising and promotions. Since chains expand across cities and regions, it may not always be possible to take into account the regional, or rural and urban preferences. The ability to give attention to each of the stores becomes fairly restricted.

Franchising a franchise is a contractual agreement between the franchiser and the franchisee, which allows the franchisee to conduct business under an established name, as per a particular business format, in return for a fee or compensation. Franchising may be for the following:

o **A product or a trade mark franchise -** where the franchisee sells the products of the franchiser and / or operates under the franchiser's name. Archie's stores, which have come up all across India, are an example of product franchising.

A business format franchise - McDonald's is perhaps one of the best examples of business format franchising.

Under the both the above-mentioned methods of franchising, the franchise may be for a single store, a multiple number of stores for a region or country. Companies like Arvind Mills, Madura Garments, Benetton have expanded in India by opening franchise outlets for their brands. International fast food retailers like Subway, Domino's, Pizza Hut and McDonald's too have started operations in India through franchising. Franchising as a method of expanding the retail business, is explored in detail, later in this chapter.

Leased Departments

These are also termed as shop-in-shops. When a section of a department in a retail store is leased / rented to an outside party, it is termed as a leased department. A leased department within a store is a good method available to the retailer, for expanding his product offering to the customers. In India, many large department stores operate their perfumes and cosmetics counters in this manner. A new trend emerging in Indian retail is that of larger retail chains setting up smaller retail outlets or counters in high traffic areas like malls, department stores multiplexes and public places like airports and railway stations. These sores display only a fraction of the merchandise / products sold in the anchor stores. Their main aim is to be available to the consumer near his place of work or home.

Consumer Co-operatives

A consumer co-operative is a retail institution owned by its member customers. A consumer co-operative may arise because of dissatisfied consumers, whose needs are not fulfilled by he excising retailers. As the members of the co-operative largely run these cooperatives, there is a limitation on its growth opportunities.

Examples of co-operatives in India are the Sahakari Bhandars and Apna Bazaar shops in Mumbai and the Super Bazaar in Delhi. Retail focuses on the Kendriya Bhandras operated by the government - probably one of the oldest examples of co-operative stores in India.

2. Classification on the Basis of the Merchandise Offered

If retailers are to be classified on the basis of the merchandise mix that they offer to their customers, they may be very broadly as the food oriented and the general merchandise retailers. Within this classification, we can further classify them on the basis of the target market that they cater to. Speciality stores, department stores and convenience stores cater to a very specific target market. They are hence, many a times referred to as product / service retailers. In contrast, the supermarkets, discount stores, hyper markets and off price retailers cater to a mass market and are often called traditional product retailers.

Convenience Stores

These are relatively small stores, located near residential areas. They are open for long hours, seven days a week and offer a limited line of convenience products like eggs, bread, milk, etc. The store size ranges from 3,000 to 8,000 sq.ft. and they are targeted at customers who want to make their purchases quickly. Though convenience stores per se, do not exist in India, the retail stores, which have started coming up at petrol pumps in major Indian cities, like the HP Speed Mart and In&Out, can be termed as convenience stores.

Supermarkets

These are large, low cost, low margin, high volume, self-service operations, designed to meet the needs for food, groceries & other non-food items. This format was at the forefront of the grocery revolution, and today, controls more than 30 per cent of the grocery market in many countries. Internationally, the size of these stores varies from 8,000 to 20,000 sq.ft. ASDA, Safeway, Kroger and Tesco are some of the large international players. Some retailers follow the concept of Every Day Low Pricing (EDLP). Under this, the prices charged by the retailers are lower than those charged by other grocery retailers in the area.

While there is no standardization on the parameters of what makes a supermarket in India, it is one of the fastest growing segments. Many traditional retailers are refurbishing their stores and christening themselves as supermarkets. However, some of the well-established ones are Nilgiri's, Footworld, Subhiksha and Vitan.

Hypermarkets

These are huge retail stores occupying an area which ranges anywhere between 80,000 to 2,20,000 sq.ft. They offer both food and non food items like clothes, jewellery, hardware, sport equipment, cycles, motor accessories, books, CDs, DVDs, videos, TVs, electrical equipment and computers, and combine the supermarket, discount & warehouse retailing principles.

The hypermarket concept was pioneered by Carrefour in France. A distinguishing feature of hypermarkets is their large size. The cheapest prices will normally be found in these stores. Across the world, hypermarkets are usually part of a retail park with other shops, cafeterias and restaurants. They almost always have their own petrol station on the site. Other facilities on the site include banks with cash machines, photo processing shops and pharmacies. Internationally, hypermarkets are located at the outskirts of major towns and cities.

Speciality Stores

These are characterized by a narrow product line, with a deep assortments in that product line. Speciality stores usually concentrate on apparel, jewellery, fabrics, sporting goods, furniture, etc. They have a very clearly defined target market and their success lies in serving their needs. Personal attention, store ambience and customer service are of prime importance to these retailers.

Internationally, most speciality retailers operate in an area that is under 8,000 sq.ft. Examples of international retail chains, which are speciality retailers, include The Gap, Ikea, High & Mighty, Big & Tall, etc. In India speciality stores in one of the fastest emerging formats. Examples of speciality stores in India include retail chains like Proline fitness station, Gautier furniture, etc.

A new type of a speciality retailer has emerged in the West -this is the **category killer.** A category killer is a speciality retailer, which offers a very large selection in the chosen product category, and economical prices. Category killers are successful because they focus on only one category. They stock deep (e.g. Toys R Us has 10,000 toy items in a store, as compared to 3,000 in a department store), they buy and sell cheap and finally, they dominate the category. Toys R Us is a good example of an international category killer. Nallis's in Chennai can be termed as a category killer in sarees, as also the Chandana Bros chain in Andhra Pradesh and Toys Kemp in Bangalore. Mumbai has one such category killer - The Loft, a 15,000 sq.ft. store catering to footwear alone.

Department Stores

Department stores as a retail format, originated in the mid-nineteenth century. This forma of retailing is popular in many parts of the world. In broad terms, a department store is a large-scale retail outlet, often multi-leveled, whose merchandise offer spans a number of different product categories. The merchandise of various departments is displayed separately in the store. Apparel and furnishing are two of he most common product categories in most department stores. Some of the well-known international players in this format are Marks & Spencer, Sears, J.C. Penny, Harrods, Selfridges, etc.

While department stores have been around in India for a long time, this format of retailing has seen a fair amount of action over the past few years. The size of an average Indian department store varies from 20,000 to 40,000 sq.ft. and stocks anywhere between 50,000 to 1,00,000 SKUs. Some of the national players are Shopper's Stop, Globus, Westside and Lifestyle, while others like Akbarally's, The Bombay Store, Benzer in Mumbai, Ebony in Delhi and Chermas and Meena Bazaar in Hyderabad, are the important local players.

Off Price Retailers

Here, the merchandise is sold at less than the retail prices. Off-price retailers buy manufacturers, seconds, overruns and / or off seasons, a deep discount. The merchandise may be in odd sizes, unpopular colours or with minor defects. Off price retail stores may be manufacturer owned or may be owned by a speciality or departmental store. These outlets are usually seen by the parent company as a means of increasing the business. Factory outlets, if owned by the manufacturer, may stock only the company's merchandise. Examples include the Pantaloon factory outlets, the Levi's factory outlets, etc. On the other hand, off price retailers owned by a speciality or departmental store, may sell merchandise from the parent company as well as merchandise acquired from other retailers. This forma largely depends on the volume of sales to make money.

Catalogue Showrooms

Catalogue retailers usually specialize in hard goods, such as house ware, jewellery, consumer electronics. A customer walks into this retail showroom and goes through the catalogue of he products that he would like to purchase. Some stores require the customer to write out he product code number and hand I over to the clerk, who then arranges for the product to be brought out from the warehouse for inspection and purchase. Some of the popular catalogue showroom retailers in the world include Argos, Service Merchandise and Best Products.

3. Non-Store Retailing

The ultimate form of retailing directly to the consumer is the non-store retailing. A direct relationship with the consumer is the basis of any kind of a non-store retail venture. It may be broadly classified into direct selling and direct response marketing. While direct selling involves a direct, personal contact, in direct response marketing, the customer becomes aware of the products / services offered through a non personal medium like mail, catalogues, phone, television or the internet.

Direct Selling

Direct selling involves the making of a personal contact with the end consumer at his home or at his place of work. Cosmetics, jewellery, food and nutritional products, home appliances and educational materials are some of the products sold in this manner.

The direct selling industry, which started out in India in the mid-1990s, went through a bad phase before attaining a significant worth of Rs 1,500 crore today, and it continues to record a 25-30 per cent growth.

The Indian Direct Sellers Association (IDSA) has compiled a comprehensive report on domestic and international patterns followed by the direct selling industry. According to the survey, the global turnover of he direct selling industry has more than doubled over the last 10 years, from US $33.32 millions in 1988 to US $81.87 millions in 1998. According to the same survey, the direct selling industry in India, has been witnessing a 60-65 per cent growth in the sales turnover over the past few years. The total sales have grown from Rs 588 crore in 1998 - 99, to Rs 714 crore in 1999-2000.

As far as the profile of the products purchased from direct selling companies is concerned, 68.9 per cent are household goods, while 12.4 per cent are personal care products. Family products (including educational material, leisure products) account for 14.4 per cent, business aids and others (mainly promotional material) account for 3.59 per cent, and food products (like dietary supplements) account for 0.71 per cent of all the products purchased. In world markets, house holds goods account for 39.5 per cent of all products purchased, while personal care products account for 30.4 per cent.

An interesting aspect of direct selling in India is that women comprise up to 70 per cent of all sales people in India, couples account for 20 per cent and males account for 10 per cent. The number of men is expected to go up because companies like Modicare, Amway and Herbal life have been encouraging men to join their sales force. Direct selling may follow the party plan or the multi level network. In a party plan, the host invites friends and neighbours for a party. The merchandise is displayed and demonstrated in a party like atmosphere and buying and selling takes place.

In a multi level network, customers act as master distributors. They appoint other people to work with them as distributors. The master distributor earns a commission on the basis of the products sold and distributed by the distributors.

Direct Response Marketing

Direct response marketing involves various non-personal methods of communication with the consumer and these include:

□ Catalogue retailing or Mail Order
□ Television retailing
□ E-retailing

□ **Mail Order Retailing / Catalogue Retailing**

This form of retailing eliminates personal selling and store operations. Appropriate for speciality products, the key is using customer databases to develop targeted catalogues that appeal to narrow target markets. The basic characteristic of this form of retailing is convenience.

□ **Television shopping**

Asian Sky Shop was among the first retailers who introduced television shopping in India. In this form of retailing, the product is advertised on television, details about the product features, price and other things like guarantee / warranty are explained. Phone numbers are provided for each city, where the buyer can call in and place the order for the product. The products are then home delivered.

□ **Electronic Shopping**

This format allows the customer to evaluate and purchase products from the comfort of their homes. The success of this form of retailing largely depends on the products that are offered and the ability of the retail organization to deliver the product on time to the customer. Strong supply chains and delivery mechanisms need to be in place for it to be a success. Many retailers are opting for click and mortar, where, while having a brick and mortar retail store, they also sell some of their products or ranges on the Internet. Though most of the large retail organizations in the world have already adopted this model, it is yet to catch on in India.

Interactive Kiosk

Information kiosks have emerged in the western markets as a new type of electronic retailing. These kiosks, comprising of computer terminals housed inside and a touch screen on the outside, provide customers with product and company information and may actually aid the customer in making a purchase. A large number of international cosmetic companies have used this technology to their advantage. The terminals also serve as a market research tool for the retailers. A large amount of information about the people who have interacted with the system can be collected and programs and products developed accordingly.

Automated Vending

This is another impersonal form of retailing. However, it provides convenience to the customers, as they have access to the products round the clock. It is a popular form of retailing abroad and is used to sell routinely purchased items like soft drinks, candy, cigarettes and newspapers. While tea and coffee vending machines are a popular sight at the airports in India, the Automated Teller Machines operated by banks are perhaps the most successful examples of automated vending in India. The tea and coffee machines are rarely completely automated and unattended as in India, the cost of labour is still cheap.

Airport Retailing

Retail is becoming increasingly important for airport operators. It is time to redefine airports. Gone is the age where airports were passenger processors, the time when traveling was just a hassle, with passengers moaning and complaining about long waits and dull surroundings. We are now in an era where airports are focusing on retail and food and beverage strategies upfront, so as to reshape airports into exciting, energized business and retail / entertainment centres - as well as transportation hubs.

Airports in many cities of the western world, the Far East and Middle East serve as mini shopping plazas for the traveler. In India, this trend is yet to catch on. Only one retail organisation has actually ventured into opening a retail store at an airport in India. Retail Snapshot 2.5 highlights this development in Indian retail.

The "Cash & Carry" Outlets

The term "Cash & Carry" means that customers do their own order picking, pay in cash and carry the merchandise away. Cash and carry is a wholesale format that aids small retailers and businessman. The advantages that this format has over the traditional wholesale operations are: 1) It offers a wide assortment of goods, food and non-food items, thus providing for one stop shopping and allowing the customers to save time. 2) Given the permanent availability of goods in the store, the customer can always purchase the goods he needs and is able to store and finance them in the short term. Thus, despite the principle of cash payment, cash and carry largely takes over the function of financing and stock holding on behalf of is customers. 3) Longer business hours per week enable the customer to do his shopping at a convenient time, seven days a week.

This format has been featured in this section as two of the largest groups, which operate under the cash and carry format, viz., Metro AG, Germany and Shoprite of South Africa, have recently started their operations in India.

Franchising

The modern era of franchising began in the 1950s when Ray Kroc, a salesman, first discovered a San Bernadino, California, drive-in restaurant operated by the McDonald brothers. Impressed by the crowded parking lot and the tasty french fries, Kroc bought the rights to franchise the business, and went on to build one of the most successful companies in the history of American business -McDonald's! And he did it through franchising!

The success stories are endless. McDonald's, Burger King, HFS< Midas, Culligan, Century 21, Singer Sewing Machine, Kentucky Fried Chicken, Subway, and Coco-Cola are only a few of the most visible international examples of franchising success. Today, doctors, dentists, opticians, attorneys, accountants, salespeople, and most other types of operations are profiting from expansion via the franchise method.

Types of Franchising

There are basically two types of franchises:

(1) Product and Trade Name Franchise

In this type of arrangement, the distribution of a product is done through dealers. Common examples are auto dealerships that sell products manufactured by the franchiser or the auto manufacturers.

(2) Business Format Franchise

Business format franchise is the most common type of franchising today. In this type of franchising, the franchiser provides the product, the trade names, the operating procedures, and the training required for running the franchise. The franchisee, on the other hand, incurs the expenditure for the premises and its interior decoration and the staff. He also manages the day-to-day business. Many familiar fast food outlets and training institutes fall into this category. Franchising as a format of retail expansion is not new to India. It is estimated that there are over 1,000 national and regional franchisers spread across sectors like education, retail, professional services and healthcare, among others. The number of franchisees is approximately 40,000, with their combined annual turnover ranging between Rs.8,000 to Rs. 10,000 crores[8]. Investments are believed to be at Rs 5,000 crore and over 3,00,000 people are employed in this business.

The franchise showrooms of various readymade garment manufacturers like Arvind, Madura Garments, Color Plus, etc. and Titan are perhaps the most visible successes of franchising in India. The next wave belonged to the computer education and training centers, fuelled by the IT boom. Successful examples include Aptech and NIIT. One of the pioneers in this field in the area of beauty and personal care products, has been Shahnaz Hussain. Today, the chain of Shahnaz Hussain parlours has more than 400 clinics in India and abroad. Some of the new sectors in which the emergence of franchising has been witnessed are illustrated in Table 2.2 below.

With retail formats evolving rapidly, retailers need to stick to what they know best, adapt to the changes in the environment, in the competition and in the consumers' needs. While predicting the future is not possible, retailers need to anticipate the trends, and adapt their strategies accordingly. While change will present new opportunities, it will be the ability to adapt to this change, which will determine survival.

ROLE OF RETAILING IN INDUSTRY

Food retailers

There are a large variety of retailers operating in the food-retailing sector. This is not surprising considering the enormous size of the market for food. However, traditional types of retailers, who operate small single outlet businesses mainly using family labour, dominate this sector. In comparison, supermarkets account for a minuscule proportion of food sales. This includes low operating costs and overheads, low margins, proximity to customers, long opening hours, and additional services to customers (such as home delivery). Nevertheless, supermarket sales expanded at a much higher rate than other retailers. This is because greater numbers of higher income Indians prefer to shop at supermarkets because of convenience, higher standards of hygiene and the attractive ambience.

Health and beauty products retailers

With growth in earnings, Indians have been spending more on health and beauty products. As in the case of other retailing sectors, small single-outlet retailers also dominate sales of health and beauty products. However, in recent years, a couple of retail chains specializing in health and beauty products have sprung up. At present, they account for only a tiny share of sales of these products. However, as Indians spend more on such products in future, their business will undoubtedly expand substantially. There is also scope for entry of more such chains.

Clothing and footwear retailers

Numerous clothing and footwear shops are to be found in Indian cities and towns, especially in shopping centres and markets. These are a mix of traditional and modern stores. Traditional outlets are small and cramped with little emphasis on alluring displays. They basically, stock a limited range of cheap and popular items. In contrast, modern clothing and footwear stores are spacious with sample products attractively displayed in windows. Just as in the case of food retailing, there are also a huge number of retailers selling clothing and footwear in makeshift stalls or on footpaths. Because of their rock-bottorn prices, which are much lower than prices of branded products, they attract a large number of customers.

Home furniture and household goods retailers

Small retailers dominate the home furniture and household goods retailing sector in India. Despite the large size of this market, very few modern and large retailers have established specialized stores for these products. However, there is considerable potential for the entry or expansion of specialized retail chains and it is likely that this will happen during the next few years.

Durable goods retailers

The entry of a large number of foreign consumer durable companies into the Indian market during the 1990s after the government liberalized its foreign investment and import policies transformed this sector dramatically. A much larger variety of consumer electronic items and household appliances became available to the Indian customer. Competition among companies to sell their brands provided a strong impetus to the growth for retailers operating in this sector.

Leisure and personal goods retailers

Rising household incomes due to economic growth spurred consumer expenditure on leisure and personal goods in India. There are specialized retailers for each category of products in this sector. A few retail chains also emerged particularly in the retailing of books and music products. Another key feature of this sector is the popularity of franchising arrangements between established manufacturers and retailers.

Emerging Retail Markets and Retail Formats in India

Retail in India changed radically to become one of the sunrise sectors in the economy. It gained importance in terms of employment generation and business opportunity. The waves of globalization, liberalization and privatization have been responsible for this change. But the retail industry has been hard-hit by the economic downturn, with many retailers putting a brake on their expansion plans. In this scenario, the kirana stores are flourishing again.

The report analyses the Indian Retail Industry of the past few years and the key influencers and changes driving the Retail Sector in India. The report also details the supply chain aspects of the retail industry. But the focus of the report is on the emerging trends in the Retail Industry - Emerging Retail Markets, Emerging Retail Formats, Region wise Retail Potential and Government Issues and Concerns. The report provides information on the various strategies adopted by the organized retail industry in India to ride through the economic downturn and for growth.

Quick Facts on the Retail Industry in India

- Retailing of mobile handset and accessories will grow to Rs. 5000 crores by 2010.19
- Third party logistics market is estimated at US$ 20 billion by 2011.
- Demand for private labels in the rise, will grow further.
- In-house brands will see a growing demand amongst the retailers and will also ensure

margin stability.

- India's fast moving consumer goods (FMCG) industry has introduced 251 new products up to October 2007, as against 191 in the same period last year.
- The Indian healthcare IT market is expecting a growth rate of 22% says a Springboard Research report.
- India's food and beverages sector, growing at 9%, is expected to attain US$ 117.25 billion by the end of this year
- With 54% of its 1.1 billion people aged below 25, it is one of the world's largest markets for TV.
- India's food service industry is expected to grow 48% to US$ 667.49 million in the next two years.
- According to a report by PriceWaterhouse Coopers, India could grow to almost 90% of the size of the US economy by 2050
- According to Confederation of Indian Industry, Yes Bank study, India's US$ 35.17 billion rural retail market is expected to cross US$ 45.22 billion by 2010 and US$ 60.29 billion by 2015. The size of the luxury market in India is estimated at around US$ 3.5 billion, and could easily leapfrog to US$ 30 billion by 2015.
- Indian consumer spending will quadruple to US$ 1.77 trillion by 2025, from about US$ 431.69 billion in 2005 due to a jump in its middle-class population and a rise in household income, according to a McKinsey study.

UNIT- III
Retail Store location and layout

RETAILING DECISIONS 9

Choice of retail locations - internal and external atmospherics – Positioning of retail shops – Building retail store Image - Retail service quality management – Retail Supply Chain Management – Retail Pricing Decisions. Mercandising and category management – buying

IMPORTANCE OF LOCATION DECISION

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

A wall street journal study looked at the largest store as measured by gross sales of the twenty largest brands. Not surprisingly, in nearly every case, a unique location was a major factor. The study provides some interesting examples. A Baskin -Robbins store is in a Waikiki mall where it is the only food store. Crowds of tourists year round summer whether and a known brand lead to sales exceeding $1 million a year. An on-base Domino Pizza store on a military installation with 11,000 Marines and their families sells as many as 4,000 pizza's week. In New York, across from Macy's, which generates enormous traffic, where Sixth Avenue and Broadway converge, a Florsheim men's shoe store serves some 30,000 customers a year.

Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighbourhood 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 through study of customers and their shopping behaviour 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 rupees location offers a unique asset for all stores because once a site is selected, it cannot be occupied by another store. This advantage, however, points to the importance of location analysis and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years. In short, location and site selection is one of the most important decisions made by a retail owner. We need to look for ways to optimise this process.

Retailing Strategy and Location

A retailer should first begin with a mission statement. This helps retailer, its employees, and its customers understand the purpose of the business. The core concepts and culture that come from a mission statement flow from the choice of the strategies selected in an attempt to achieve a competitive advantage. Location may be the primary strategy selected, or it may be merchandise, pride, service, or communication. Whatever strategy is emphasized, location is a critical variable. Owners or managers who wish to emphasize merchandise quality will require an entirely different location than managers of a low-margin discount house.

Just as the strategy and objectives of a retailer are integral to the location decision process, so is the importance of market research. The use of marketing research criteria in deciding on a location depends on what type of information or answer is needed from the research time and cost factors, and the importance of the decision in the overall strategy.

Characteristics Used in Location Analysis

The several characteristics used in location analysis. The key ones include 1) Demographics,
2) Economic,
3) Cultural,
4) Demand,
5) Competition, and

6) Infrastructure.

Some of the characteristics will be more helpful in the discussion of the

a) "macro" areas **(country and region)** as opposed to the

b) 'micro" areas **(trade area and site evaluation),** and vice versa.

We introduce each characteristic in the discussion of country and region analysis and then return to each as appropriate in the micro areas.

a) COUNTRY AND REGIONAL ANALYSIS

Many retailers have found success establishing locations in other countries. Because of the high market saturation in the United States, many U.S. retailers ranging from Toys 'R' Us and McDonald's to J.C.Penney have expanded overseas in an effort to improve their bottom line. On the other hand, there are many important market characteristics in the United States that have attracted overseas retailers like Laura Ashley, Benneton, and the Body shop. There is a need to recognize that country analysis will be an increasingly important aspect of the location strategy as merchants look for growth opportunities. After the decision is made as to what country or countries are to be considered, a regional analysis will need to be done. Most countries are not completely homogeneous and need to be broken down into regions in order for a retailer to better understand the market characteristics. For example, the United states normally divided into the following regions: Pacific, Mountain, West North central, East North central, West south central, East South central, South Atlantic, Middle Atlantic, and New England. Regions may differ in many characteristics such as population demographics and density, climate, cultures, and distribution infrastructure.

The importance of examining countries and regions by their macro characteristics can be illustrated by the importance of today's distribution infrastructure to the concept of **flow-through replenishment.** This concept is based on having information on consumer demand that allows the flow of goods to be regulated by actual needs in the retail stores. Consumer demand is acquired at the point of sale terminal when the UPC bar code is scanned for each product sold. Computers maintain continuous records of product flow. Daily or weekly reorders go directly. To manufactures so that exact quantity replacement can be shipped to each individual store or routed to the retailers central distribution center. If this is a part of the firm's competitive advantage, the country or region must have the transportation, computer, and warehousing infrastructure necessary to support the strategy.

1) Demographics

Demography is the study of population characteristics that are used to describe consumers. Retailers can obtain information about the consumer's age, gender, income, education, family characteristics, occupation, and many other items. These **demographic variables** may be used to select market segments, which become the target markets for the retailer. Demographics aid retailers in identifying and targeting potential customers in certain geographic locations. Retailers are able to track many consumer trends by analysing changes in demographics. Demographics provide retailers with information to help locate and describe customers. Linking demographics to behavioural and lifestyle characteristics helps retailers find out exactly who their consumers are. Retailers who target certain specific demographics characteristics should make sure that those characteristics exist in enough abundance to justify locations in new countries or regions.

2) Economic

Businesses operate in an economic environment and base many decisions on economic analysis. Economic factors such as a country's gross domestic product, current interest rates, employment rates, and general economic conditions affect how retailers in general perform financially. **(Gross domestic product** is a measure of the goods and services produced in the country.) For example, employment rates can affect the quantity and quality of the labour pool available for retailers as well as influence the ability of customers to buy.

Normally, growth in a country's gross domestic product indicates growth in retail sales and disposable income. Retailers want to locate in countries or regions that have steadily growing gross national products. As interest rate rise, the cost of carrying inventory on credit rises for retailers and the cost of purchasing durable goods rises for consumers. Countries that have projected significant increases in interest rates should be evaluated very carefully by retailers. Retailers will also be affected by a rise in employment rates; this lowers the supply of available workers to staff and support retail locations.

Let's consider the example of China. The country has a billion people, a low but growing per capita income, and major urban areas even though the country is largely rural. Consumers are used to purchasing food product on an almost daily basis. They pay close attention to prices and often preferred to haggle. Japan's supermarket chain, yaohan, sees increasing economic well being as a signal for opportunities in china. A wall street journal article tells how the

Japanese firm is attacking the market: "Yaohan's joint - venture super market, a 7,000 - square - foot store wedged into the ground floor of an apartment complex in a working class district, sells most locally produced fresh and packaged goods at prices that match or beat those at local stores."[9] The company plans to open 1,000 stores buy the year 2010.

3) Cultural

Cultural characteristics impact how consumers shop and what goods they purchased. The values, standards, and language that a person is exposed to while growing up are indicates of future consumption behaviour. Consumers want to feel comfortable in the environment in which they shop. To accomplish this, retailers must understand the culture and language of their customers. In a bilingual area, a retailer may need to hire employees who are capable of speaking both of the languages spoken by the customers.

Some retailers have found it useful to market to the cultural heritage of their consumers, while other retailers seek to market cross - culturally. Normally larger cultures are made of many distinct subcultures. Retailers need to be aware of the different aspects of culture that will affect the location decision. For example, greeting cards sold in the United States normally have verses on the inside, while greeting cards sold in Europe normally do not.

4) Demand

The demand for a retailer's goods and services will influence where the retailer will locate its stores. Not only must consumers want to purchase the goods, but they must have the ability or money to do so as well. Demand characteristics are a function of the population and the buying power of the population that the retailer is targeting.

Population and income statistics are available for most countries and regions with developed economics. In developing countries the income data may be little more than an informed guess. These statistics allow the comparisons of population and a basic determination of who will be able to purchase the goods carried in the store. This is of utmost importance for retailers, whether they carry higher-priced goods - such as durables, furniture, jewellery, and electronics - or lower - priced goods-such as basic apparel or toys.

5) Competition

Levels of competitions vary by nation and region. In some areas, retailers will face much stiffer competition than in other areas. Normally, the more industrialized a nation is, the higher the level of competition that exists between its borders. One of the environmental influences on the success or failure of a retail establishment is how the retailer is able to handle the competitive advantages of its competition. A retailer must be knowledgeable concerning both direct and indirect competitors in the marketplace, what goods and services they provide, and their image in the mind of the consumer population. Sometimes a retailer may decide to go head to head with a competitor when the reasons are not entirely clear.

6) Infrastructure

Infrastructure characteristics deal with the basic framework that allows business to operate. Retailers require some form of channel to deliver the goods and services to their door. Depending on what type of transportation is involved, distribution relies heavily on the existing infrastructure of highways, roads, bridges, river ways, and railways. Legal infrastructures - such as laws, regulations and court rulings - and technical infrastructures - such as level of computerization, communication systems, and electrical power availability also influence store location decisions.

Distributions play a key role in the location decision especially for countries and regions. There is a significant variance in quantity and quality of infrastructures across countries. A retailer whose operation depends on reliable computerization and communications would not need to even consider a country or a region that did not meet those criteria. The need for refrigerated trucks to distribute frozen juice might limit a retailer like Orange juice in its ability to expend to India. The multilevel small wholesaler infrastructure in Japan has been a major hurdle for retailers attempting to enter that market.

The legal environment is a part of the overall infrastructure a firm must consider. For example, many countries require non-native businesses to have a native partner before establishing retail locations. The legal requirements a retailer operates under in one country will not be the same for another country or region and may be different from state to state within the United States.

Another part of the location analysis at the country or regional level may be the simple fact of whether or not locations are available and can be had at rents are double those in Tokyo and New York. A corner juice stand of thirty square feet pays rent in Hong Kong of $38,000 (US$ 4,918) each month. Bossing Marketing Ltd., a clothing retailer, pays HK$ 1,000,000.

In conclusion, the demographic, demand, competition, cultural, infrastructure and economic characteristics are important in analysing a country or region.

b) TRADE AREA ANALYSIS

It is important to define the market area of any potential location. you know that a retail market is any group of individuals who possess the ability, desire and willingness to buy retail goods or services. The residents of any neighbourhood, city, region, country, or group of countries may constitute a retail market. The retail trade is defined as the geographic area within which the retail customers for a particular kind of store live or work. The customer profile of a segment of the people within the geographic area that the store decides to serve is the target market. For example jaxson's restaurant in the US serves the residents and office workers in the downtown and Westside areas of El Paso as well as visitors from across the border in MEXICO.

Trade Area selection Considerations

1) Demographic.

We have said that perhaps no variables are more important to the retail manager than the demographic dimensions of a market. Whether the retail trade area is the central city, a growing suburb, or a quiet rural area, you must understand the people who live and work there.

Once the basic characteristics are identified and a judgement is made as to how far one of the customers would travel for the goods, the total market has been determined.

Factors, such as current population, potential population, population density, age, income, gender, occupation, race, proportion of home ownership, average home value, and proportion of single versus multifamily dwellings are important considerations.

Where consumers live, their commuting patterns, and whether their numbers are increasing or decreasing are but a few of the dynamic characteristics of the trade area population that the retailer must consider. It may be quite helpful to construct maps that display where certain types of customers reside.

As you learned, **market segmentation** is the process of grouping individuals according to characteristics that help define their needs. Each of these groups of similar individuals is called a **market segment.** No matter how many different segments you may find within any given retail market, you may choose to satisfy only one or just a few of them. Each segment that a retailer attempts to satisfy is a **target market.**

2) Economic.

Economic characteristics have a significant impact on country and region selection. The impact on trade area is even greater. The local unemployment rate will effect the local labour pool and the amount of money that consumers have to purchase products. The most important economic characteristics for the retailer are per capita income and employment rates.

3) Subculture.

Subculture have more of an impact on market and trade area selection than on country or region selection. One must normally be at the market or trade level in order to accurately gauge the location and characteristics of a subculture. An ethnic subculture creates market segments for goods ranging from food and cosmetics to clothing and entertainment. At the same time religion, language, and family structure create both opportunities and problems.

4) Demand.

The economy of an area under consideration for location should provide a general indicator of the long -range retail opportunities present within an area. The number, type, trends, and stability of industries that might affect business in the market area need to considered. Employment rates, total retail sales, segment retail sales, household income, and household expenditures all provide information from which the economic stability of the area can be ascertained. The **buying power index (BPI)** indicates the relative ability of consumers to make purchases. The BPI for most metropolitan statistical areas (MSAs) is published yearly by sales and marketing management in their survey of buying power. The BPI combines effective buying income (weighted 50 percent), retail sales (weighted 30 percent), and population (weighted 20 percent) in a single measure of the purchasing power of consumers.

The Sales Management Survey of Buying Power Index for the Top Ten markets in US

Rank	Area	Buying Power Index
1	Los Angels - Long Beach	3.328
2	Chicago	3.2821
3	New York	3.2802
4	Washington	2.1005
5	Philadephia	2.0676
6	Detroit	1.7938
7	Boston	1.6443
8	Houston	1.4994
9	Atlanda	1.4004
10	Nassau-Suffolk	1.2810
Total top ten markets		27.67

Total top fifty markets		50.8491

Each variable is specified as a percentage of the total for the United States. For instance, when including the **effective buying income(EBI)** in the formula (the amount of personal income after such things as income, property, and social security taxes and mandatory payments on debt), it must first be divided by the EBI of the United States. This allows the BPI to be directly compared with BPI estimates from other areas. Therefore, we can express the **buying power index** as : **BPI = 0.5 (%of U.S. EBI) +0.3 (%of U.S. retail sales) + 0.2 (%of U.S. Population)**

The BPI for potential markets can be directly compared to help make a choice of market area.

5) Defining the Trade Area

Since a market comprises the number of people and their spend able income, estimating where customers will shop is of critical importance to retailers. Scholars have developed many tools for defining the size of a trade area.

a) Reilly's law,

b) Huff's model,

c) concentric circles and

d) the use of geo demographics.

Reilly's law and Huff's model depend on assumptions and data that do not fit the real world very well. At the same time they both demonstrate some of the characteristics that are important in understanding and defining a trade area and show how a model can be constructed and used.

a) Reilly's Law

Among the most simple of the models is Reilly's law. Reilly's Law states that a customer will travel a distance to shop based on the population of the shopping area and the distance between areas. In essence, it specifies a break point will travel to the city on the same side. Reilly's law is most useful for calculating the trade area boundaries between two cities. However, it can also be used to calculate the break point between metro areas and surrounding communities, although it is less precise. Reilly's law is based on a simple rule that population centres attract retail shoppers. A trade area can be defined by using Reilly's law to calculate the break points between a city of interest and surrounding city. The major disadvantage of Reilly's model is that it assumes all retail characteristics are proportional to the size of the population in an area. It does not explicitly consider such things as differences in retailer types or the number of stores in an area. Let's look at an example of using Reilly's law to calculate the break point between a city and the surrounding population centres.

The Trade Area Break Points for Flint, Michigan, Using Reilly's Law

City	Population	Miles from flint	Break Point distance
Flint	138,987	N/A	
Detroit	970,156	54	A 6.77 miles
Ann Arbor	109,252	50	B 22.01 miles
Lansing	126,509	50	C 23.83 miles
Saginaw	69,056	31	D 10.29 miles
Port Huron	35,000	62	E 12.47 miles

Steps to use in calculating Reilly's Law

1. Draw a line from city center to a city center between the city of interest and all surrounding cities.
2. Measure these lines with a ruler, and convert from inches to miles using the map legend. (e.g., if 15.5 miles = 1 inch, then multiply the number of inches by 15.5 to get miles)
3. Find the population of each city that is connected by a line
4. Use Reilly's formula to calculate the break point distances.

Break point = Distance between cities distance 1 + square root of (population of the large city/ population of the small city)

6. Change the break point miles into inches (e.g., if 15.5 miles by 15.5 to get inches).
7. In Reilly's law, all break points are always measured starting from the city with the smaller population. Using a ruler, measure from the smaller population city the number of inches from step 6 for each line. Mark and label these points.
8. Connect the points from step 7 to define the trade area.

b) Huff's Model

A slightly more complex alternative to Reilly's Law was developed by David Huff. **Huff's model** considers the size of the shopping center, how long it would take a customer is looking for. Huff s model gives retailers an approximate probability of how likely it will be for a consumer to travel to a specific shopping center. The formula used to calculate Hufff model is shown below.

First, the square footage of a shopping center is divided by the amount of travel time to reach that shopping center. Next, the same calculation is done for the rest of the shopping centers; those numbers along with the calculation for shopping center A are totalled. The proportion for the single shopping center is then divided by the proportion for all of the centers. Both of the travel time figures are modified by gamma(g), an adjustment for the type of product to be purchased. We will explain more about the gamma in a moment.

The calculations below indicate that a customer living in the Forest ridge neighbourhood would travel to shopping center 1 about 38 percent of the time. Another way to interpret the result is to say that 38 percent of the residents would travel to shopping center 1 to purchase the type of goods represented by a gamma of 2. Comparing the percentage estimate for shopping center 1 with the other three shopping centers, we see that consumers are about three times more likely to travel to either shopping center 1 or 2 as opposed to shopping center 3 or 4. The percentages for all the shopping centres should total 100 percent.

Calculations for customer travel time to a given shopping center using HUFF'S Model

	Shopping center 1	**Shopping center 2**	**Shopping center 3**	**Shopping center 4**
Travel time(minutes)	5 min	7 min	12 min	15 min
Amount of space in square feet(000)	150 sqft	300sq ft	250 sq ft	400 sq ft

Travel time to competing shipping centers

When we use gamma of 2.0 and the above formula we can find how often a consumer would shop at each of the shopping centers.

Shopping center 1 = (one fifty / five to the power two) / (one fifty / five to the power two) + (three hundred / seven to the power two) + (two hundred and fifty/ twelve to the power two) + (Four hundred/fifteen to the power two) = 38.37%

Shopping center 2 = (three hundred / seven to the power two) / (one fifty / five to the power two) + (three hundred / seven to the power two) + (two hundred and fifty/ twelve to the power two) + (Four hundred/fifteen to the power two)= 39.15%

Shopping center 3 = (two hundred and fifty/ twelve to the power two) / (one fifty / five to the power two) + (three hundred / seven to the power two) + (two hundred and fifty/ twelve to the power two) + (Four hundred/fifteen to the power two) = 11.10%

Shopping center 4 = (Four hundred/fifteen to the power two) / (one fifty / five to the power two) + (three hundred / seven to the power two) + (two hundred and fifty/ twelve to the power two) + (Four hundred/fifteen to the power two) =11.37%

As stated earlier, gamma(g) is an adjustment for the type of good that the consumer is looking for at the shopping center. Previous research had calculated gammas of 2.723 for furniture and 3.191 for clothing. The larger the estimated value of gamma, the smaller the time expenditure will be. Also, as gamma grows larger, the scope of the trading area will become smaller. Obviously, the more important the item is to the customer, the less important travel time becomes. Consumers who are shopping for a specialty good will spend more time travelling than consumers who are shopping for a convenience good. The estimate of the travel time can also vary greatly depending on the form of transportation used by the consumer.

c) Concentric Zones

One way to analyse a market area is to use maps and census tracts to construct concentric zone maps. Survey data from existing stores can determine how far customers will travel to shop. Obviously this depends on the type of goods and the pulling impact of the location. Customers will travel much farther to shop for home entertainment equipment in a regional mall than to pick up medicine at a pharmacy.

Assume our data show that 60 percent of our customers come from less than four miles (primary zone), 25 percent come from four to eight miles (secondary zone), and 15 percent (tertiary zone) are occasional customers who come more than eight miles. The firm can now take census tract data and determine how many potential customers (owner-occupied household with income over $35,000) live in each zone. The concentric zones help describe a trade area, the actual market may be limited by accessibility factors. Notice how the interstate highways could limit accessibility. The actual sales potential of the store is also going to be limited by the number and location of competitors.

d) Geodemographics

The term **geodemographics** is derived from the demographics of population coupled with the geographic dimensions of populations. Retail location decisions commit large amounts of capital, and once made, the decision is fixed for a significant period of time. New techniques such as the use of geodemographic information have the potential to be very important. Although we may describe a retail in terms of geography, every one with in that geographic area is not a potential customer. To be an effective retailer, you must group together those individuals in your trade area who possess similar needs. Within the trade area, with target market defined, a retailer can stock merchandise and provide specific services to meet the needs of those potential customers.

6) Estimating Market Potential

Once the retail trade area has been identified and the relative segmenting variables applied, certain quantitative factors must be considered to decide if the area is suitable. These factors include the retail market potential of a retail trade area and the retail ales potential. **Retail market potential** is the total dollar sale that can be obtained by all stores selling a particular retail product, product line, or group of services within the retail trade area if everything was maximized. Therefore, retail sales potential is a part of retail market potential. A **retail sales forecast** is the specific estimate of sales volume that a retailer expects. Because the retailer is new in the area or because of the entry of a new competitor, the sales forecast may be less than the estimate of retail sales potential.

There are two major determinants of the market potential for a trade area: the number of potential customers within the area and the amount of money consumers spend for the product or product line in question. For example, a retailer can estimate the market potential by multiplying the number of potential consumers in the trade area by the average amount they spend for the product. Generally, market potential figures are based on yearly estimates. Suppose, for example, that 50,000 potential customers reside in the trade area. If it is known that each potential customer spends approximately $79 per year on gifts, the retail market potential for gift sales in that retail trade area would be $3,900,000.

Population statistics are commonly used in arriving at market potential and are expressed on a per capita, a per household, or a per family basis. The other factor is per capita expenditure.
A retail trade area may have little relationship to these political boundaries. The merchant may be able to get a more detailed breakdown of population by checking with :

• The local chamber of commerce for any detailed studies it any have made.
• The local newspaper for circulation statistics
• The local post office for the number of box holders on delivery routes
• The local public utilities office for information on the number of residential electric or gas meters
• The city planning office, fire department, and police department for information on the number of residents within a specific retail trade area. Regardless of the sources used, however, the merchant will probably find
it necessary to adjust population information for a retail trade area by using the data collected in combination with individual judgement about the area.

In addition to population information, the retailer must collect data on the number of dollars being spent by consumers for the product or product line in question.

7) Estimating sales potential

you learned that the retail sales potential for a firm is the estimated dollar sales that a retailer expects to obtain in a particular retail trade area over a given period. An accurate appraisal of sales is important, because it will dictate the amount of inventory that will be purchased, the number of employees that will be needed, the dollars that can be spent for expenses, and the amount to debt capital the business can comfortably afford. To arrive at such a figure, one must consider.

• The competitive strengths in the market
• The amount of business that can be drawn from substitute products

• Management s own expertise

To assess the competitive strengths in the market, the retailer can start with an assessment of the total market potential. If the retailer assumes that the business will obtain at least average amount of sales being realized by the competitive business in the trade area, an estimate of the sales potential can be made. If there are five business (the new retail establishment makes six), each business might be expected to have one-sixth of the business available in the trade area.

Although this approach may not seem as sound as that used in measuring market potential, it does provide an analysis of competitive strength, and the figure derived is usually conservative. This approach can be useful in particular situations. Suppose, for example, that a new firm was considering entering a five-store would mean that sales potential for the new store would be $ 466,666 ($ 2,800,000 divided by 6). If the new firm had to do $ 600,000-worth of business merely to break even, it would face a situation where profitability would be difficult.

8) Index of Retail Saturation

Competition exists when more than one store compete for the same market segment or target market. In some situations, a firm might like to be only one of its type in a given market area. This is particularly the case for specialty or convenience goods. On other occasions, however, good strong competition will enhance the overall business potential of a given area because it will draw shoppers from a greater distance to compare prices or stores. This is particularly the case with goods for which people often make shopping comparisons. Maps may be developed to show retail locations of competitors by relative size and merchandise mix.

One measure of the competitive structure of the market is the **index of retail saturation (IRS),** which examines the level of competitions and the retail sales in a given geographical area. There are several ways to formulate this measure. The typical IRS is calculated as area sales divided by a measure of competitive saturations (usually total square feet).

All retail stores in US are classified by different SIC codes. The first 2 of the seven digits define the broad retail group. For example, 53 is the code for automobiles.

Out shopping.

A critical element of any estimate of sales potential is out shopping. **Out shopping** occurs when individuals within your retail trade area go outside your area to shop for similar goods or services. This is a serious problem of smaller shopping areas or communities located near metropolitan areas. You must be careful that your market potential and sales potential estimates do not overstate the true marketplace for your community. Out shopping can also occur for specific merchandise. In fact, the presence of out shopping may be an indicator that there is a need for specific good or service assortments within your retail trade area.

It is difficult to combat the out shopping phenomenon. The most frequently cited reason for out shopping is the belief that a better assortment of goods and services exists outside the immediate area. The next concern is price. Quite often, smaller communities do not have the level of competitive intensity or the aggregate volume to get prices as low as they are often found in larger metropolitan areas.

The best advice for areas affected by out shopping is to emphasize your merchandise assortment, promote services such as return privileges close to home, and minimize the importance of price. The smaller store cannot compete head to head on price, so do not try. Offer value; it will be the only long term win - win solution.

9) Infrastructure

We have talked about how the infrastructure -including roads and highways, distribution warehouses, communications facilities, and labour pool-must be adequate for a country or region. The same is even more true for trade area analysis. The legal infrastructure can also impact the trade area selected for your store. State and local laws vary concerning advertising, zoning, and sign restrictions for retailers.

SITE EVALUATION AND SELECTION

Types of locations

There are three major types of location that we will discuss in this section

(I) the shopping center,

(II) the business district, and

(III) the free standing location.

I) Planned Shopping Centres

The expansion of suburbia brought with it planned residential developments. These new sub divisions were connected by many new city streets and through fares along which retail businesses could be established. The notion of the **planned shopping center** was born. Developers could plan multi store facilities that would serve the needs of these new neighbour hoods with grocery, drug, and apparel goods. With the availability of large tracts of relatively cheap undeveloped land located many miles from the inner city, but close to these new living areas, large centres could be designed that would offer one stop shopping to entire clusters of residential areas. The last thirty years witnessed the widespread development of multiunit retail strip centres and the construction of multiacre shopping malls/theme parks.

Several important issues surround the choice of locating a retail business in a planned shopping center. One important consideration is the nature of the business sharing leases space within the center. Recent research has shown that the image of your retail business will be either positively or negatively influenced by the types of business that surround you, a process that is called image transference.

The term shopping center has been evolving since the early 1950s. Given the maturity of the industry, numerous types of centers currently exist that go beyond the standard definitions. Industry nomenclature originally offered four basic terms : 1) neighbour hood, 2) community, 3) regional, and 4) super regional. However, as the industry has grow and changed, more types of centres have evolved, and these four classifications are no longer adequate.

The international Council of shopping centers (ICSC) has defined eight principal types.

Type	Concept	Sq.ft including Anchors	Acreage	Number	Type	Anchor Ratio*	Prima ry Trade Area
1 .Neighbour hood center	Convenience	30,000-150,000	3-15	1 or more	Super market	30-50%	3 miles
2.Community center	General, merchandise , convenience	100,000-350,000	10-40	2 or more	Discount dept, store, supermarket, drug, home improvement large specialty/disco unt apparel	40-60%	3-6 miles
3 .Regional center	General, merchandise , fashion (mall, typically enclosed)	400,000-800,000	40-100	2 or more	Full -line dept. store, jr. dept. store, mass merchant, disc. dept. store, fashion apparel	50-70%	5-15 miles
4.Super regional center	Similar to regional center, but has more variety and assortment	800,000 +	60-120	3 or more	Full -line dept. store, jr. dept. store, mass merchant, disc. dept. store, fashion apparel	50-70%	5-25 miles
5.Fashion /speciality center	Higher end, fashion assortment	80,000-250,000	5-25	N/A	Fashion	N/A	5-15 miles

6.Power center	Category dominant anchors, few small tenants	250,000-600,000	25-80	3 or more	Category killers, home improvement, discount dept, store, ware house club, off-price	75-90%	5-10 miles
7.Theme/festival center	Leisure, tourist oriented, retail and service	80,000-250,000	5-20	N/A	Restaurants, entertainment	N/A	N/A
8.Outlet center	Manufacturers' outlet stores	50,000-400,000	10-50	N/A	Manufacturers outlet store	N/A	25-75 miles

There are other types of shopping centers that are not separately defined here but nonetheless are a part of the industry. One example is the convenience center, one of the smallest of centers where tenants provide a narrow mix of goods and personal services to a very limited trade area. A typical anchor would be a convenience store like 7-Eleven or other minimart. At the other end of size spectrum are super **off-price centers** that consist of a large variety of value -oriented retailers, including factory outlet stores, department store closeout outlets, and category killers in an enclosed mega mall (up to 2 million square feet) complex, other similar sub segments of the shopping center industry include vertical, downtown, off-price, home improvement, and car care centers.

1. Neighbourhood shopping center.

This type is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighbourhood. Roughly half of these centers are anchored by a super market, while about a third have a drugstore anchor. These anchors are supported by smaller stores offering drugs, sundries, snacks, and personal services. A neighbourhood center is usually configured as a straight - line strip with no enclosed walkway or mall area, although a canopy may connect the store fronts.

The relatively small size of the strip center means that it offers a rather narrow array of convenience or speciality stores. It is best designed to serve individuals living in the immediate vicinity or frequent passers by who would see the stores in the center as being "convenient". The neighbourhood strip center can be placed almost anywhere that land permits. Inter sections and main thoroughfares are the most popular sites.

The **gross leasable area (GLA)** of these types of centers ranges from 30,000 to 150,000 square feet on a site of 3 to 15 acres, with the typical size being about 50,000 square feet. If the target market for a retail store matches the profile of the neighbourhood center, and it can survive with the number of residents within the trade area served by the center, may be a suitable location for the business.

2. Community shopping center.

A community center typically offers a wider range of apparel and other soft goods than the neighbourhood center. Among the more common anchors are super markets, super drugstores, and discount department stores. Community center tenants sometimes include off-price retailers selling such items as apparel, home improvement/furnishings, toys, electronics, or sporting goods. The centre is usually configured as a strip, in a straight line, an "L", or a "U" shape. Of the eight centers types, community centers encompass the widest range of formats. For example, certain centers that are anchored by a large discount department store refer to themselves as discount centers. Others with a high parentage of square footage allocated to off-prices. Retailers can be termed off-price centers.

The community centers usually has 100,000 to 350,000 or more square feet of gross leasable area.
Some 90 percent of the newer centers measure less than 150,000 square feet of GLA.
A retailer s decision to locate with in a community center will be based on the ability to benefit from traffic drawn from across the entire community. Because the rental rates in the community center will be much higher than those for a neighbourhood or strip center, the revenue benefits must be worth the additional costs.

3. Regional shopping center.

This type provides general merchandise, a large percentage of which is apparel, and services in full depth and variety. Their main attractions are its anchors: traditional, mass merchants, or discount department store or fashion speciality stores. A typical regional center is usually enclosed, with an inward orientation of stores connected by a common walkway. Parking surrounds the outside perimeter.

A regional shopping centers provides full depth and variety in apparel, furniture, home furnishings, and general merchandise. Regional centers typically contain at least three large full - line department stores supplemented by numerous apparel stores, shoe stores, house hold appliance stores, furniture stores, drug stores, and super markets. More recently off - price and discount anchors have appeared as mall operators respond to the need of retaining value -conscious shoppers. Gross leasble area for this type of mall ranges between 300,000 and 1,000,000 square feet. The typical size of a regional center is above 400,000 square feet on a 40-to 100 acre site. A trade area of 200,000 or more people is normally required.

A keep point of differentiation between the community and the regional center is the extent to which people are willing to drive from one city to another to patronize a regional center. In other wards, the shopping alternatives that are available in a regional center must not be present in surrounding communities. This case is often encountered in large urbanized areas that contain multiple large-scale malls, each of which contains similar anchors. A retailer's decision to locate with in a regional mall is, again, dependent on the level of demand that is available given rental and utility costs. Another important mall location consideration is signage. As a non-anchor tenant, the lifeblood is not traffic drawn from the street by a sign or storefront but the inter anchor traffic generated within the mail. This captured traffic, however, permits the survival of narrow niche marketers like speciality restaurants.

4. Super regional shopping center

This is similar to a regional center but because of its larger size, a super regional center has more anchors, contains a deeper selection of merchandise, and draws from a larger population base. As with regional center, the typical configuration is an enclosed mall, frequently with multiple levels.

The super regional shopping center is the largest of the planned centers. It encompasses the largest, most complete assortments of goods and services backed by four or more department store in the 100,000-square - foot and larger class. The gross leasable area of the super regional center ranges from 800,000 square feet to well over 1,000,000. The largest super regional, the west Edmonton Mall, is located in Edmonton, Alberta, Canada, and boasts 5.2 million square feet of floor space and 3.8 million feet of GLA. More than 20 million people visited its 823 stores, 110 restaurants, and indoor amusement park in a single year.

5. Fashion/specialty center

This type is composed mainly of upscale apparel shops, boutiques, and craft shops carrying selected fashion or unique merchandise of high quality and price. These centers need not be anchored, although sometimes restaurants or entertainment can provide the draw of anchors. The physical design of the center is very sophisticated, emphasizing a rich decor and high quality landscaping. These centers usually are found in trade areas having high income levels.

6. Power center

Dominated by several large anchors, a power center includes discount department stores, off - price stores, warehouse clubs, or "category killers," that is, stores that offer tremendous selection in a particular merchandise category at low prices. Some of these anchors can be freestanding (un connected). The canter has only a minimum amount of small speciality tenants.

Power centers are usually constructed as large strip centers with atleast 75 percent of the gross leasable area devoted to three or more high-traffic high -volume discount - oriented anchor - type tenants. For example, a service merchandise, Pets Mart, Best Buy, Office Depot, and Toys 'R' Us could share a common parking area in much the same fashion as a traditional shopping center. Not all power centers are newly constructed. In fact, many viable "Power centers" are traditional community shopping malls or older open centers that have been revived as discount shopping centers. In between the anchor stores are smaller leasable areas for independent or chain discount retailers. A major consideration will be price and assortments. The smaller tenant in the power center will need to be a niche discounter. While traffic counts will be very high for the power centers, the anchor stores will generally cover a broad spectrum of product lines. To successfully compete in the backyard of these discounts giants, a retailer will need to have carefully selected merchandise and services offered to be consistent with the needs of the power center shopper, but fall out side the competitive mix of the anchors.

7. Theme / Festival center

This center typically employees a unifying theme that is carried out buy the individual shops in their architectural design and, to an extend, in their merchandise. The biggest appeal of this center is for tourists ; it can be anchored by restaurants and entertainment facilities. The center is generally located in an urban area, tends to be adapted from an older (some times historic) building, and can be part of a mixed - use project. A theme / festival center normally contains from 80,000 to 250,000 square feet and covers 5 to 20 acres. Theme centers have common architectural motifs that unite a wide range of retailers. These tenants tend to offer unusual merchandise and have restaurants and entertainment centers that serve as anchors, rather than super markets or department stores.

8. Factory outlet center

Usually located in a rural or occasionally in a tourist area, an outlet center consists mostly of manufactures stores selling their own brands at a discount. An outlet center typically is not anchored. A strip configuration is most common, although some are enclosed malls and others can be arranged in a "Village" cluster. Factory outlet malls draw a combination of middle and lower class socio-economic customers. Some contemporary factory outlet centers also include some off price stores, particularly newer multilevel mall - style formats. In addition, given the larger scale for mats of outlets centers, factory outlets seem ideally suited for tourist destinations.

Factory outlet stores provide manufactures with a way to sell the products that were over produced with out going through the traditional retail distribution channel. Sensitivity to location is a key issue here since many brands can be sold in both a factory outlet store and the traditional retail store.

Factory outlet stores seem to be most popular among speciality clothing, sporting goods, leather goods, luggage shoes, and house wares manufactures. A factory outlet mall is typically located at least thirty miles from national retail chains in order to draw traffic.

II) Central Business District:

The **central business district (CBD)** is a shopping area located in either the central downtown area or another area in the city with a concentration of businesses. Until the mid - 1970s, the CBD was the core for shopping in most cities. When cities were relatively compact and much smaller the largest share of retail shopping was done in this downtown area. The CBD contained the largest concentration of department stores. Clothing stores, jewellery stores, variety stores, and specialty stores. When the CBD was thriving, it mad possible large scale comparative shopping for all types of merchandise. Ironically, the CBD was an early "mall" concept in that stores where relatively closed and comparison could be made easily. The downtown area also met the needs of out of town shoppers, who would frequently be visiting on business or staying in a downtown hotel.
Reuse and modernization of commercial buildings also promise to help the return of street level retail activity to downtown areas. A retailer must decided whether renovation of downtown building space is commercially feasible. The following attributes should be considered;
(1) easy access from street,
(2) abundance of foot and vehicular traffic,
(3) space and lighting for appropriate signage,
(4) physical dimensions required to support business use,
(5) a contiguous population that can correlate with the quality of shops and their brand name merchandise and the expected cost of goods, and
6) the design enticements to help make the location a unique shopping experience.

III) Free standing locations
This type of retail store stands alone, physically separate from other retail stores. It does not enjoy the same benefits that shopping centres offer from the stand point that customer ofa free standing store must have made a special trip to get there. Shoppers are not "just next door" and decide to walk in as they could in a mall or strip center. Freestanding locations constituted about 22 percent of all retail space, and a recent survey of retailers shows that this category leads all others for future importance.

Drive in locations are special cases of freestanding sites that are selected for the purpose of satisfying the needs of customers who shop in their automobile. In some situations, the drive - in aspect of the retail business is only to supplement existing in - store sales, but the same requirements of all drive -

in location apply. These sites are usually positioned along or decide heavy traffic arteries in neighbour hoods, city streets, or inner city through fares because, as the experience of McDonald s shows, up to 55 percent of total store sales are often attributable to drive - through business.[36] Stores that rely totally on drive - in and walk up business, such as Fox Photo, are designed to offer extremely quick service and require a significantly smaller amount of space than more traditional park - and - shop stores. In fact, drive - in - only retailers often fined that they can price competitively because of reduced overhead from smaller building and land size.

The total volume of passing traffic and the ease with which the traffic can enter and leave the store critically important to the sales potential of the entire establishment. The greater the density of traffic, the greater the potential amount of business that is likely to be derived. An automobile traffic count is absolutely necessary to identify suitable locations for drive-ins. Further more, it is important that this traffic count be separated into direction, or flow.

A traffic flow analysis may be described in terms of why a customer is making the trip : whether it is to or from work, for shopping, or for pleasure or recreation. For example, drive-in-services for a bank would more likely be utilized during work-to-home trips than the reverse. If the objective of a drive-window of a fast food chain was to increase breakfast food sales, then a home-to-work direction would be favourable. A work-trip customer may drop off cleaning on the way to work and stop for gas on the way home.

Customers on a shopping trip are more easily stopped if a location is positioned along the right side of a through fare. Not all shopping is done between home and work. This is particularly true if a drive-in is located between the customer s place of residence and a major shopping area. If there are a number of stores located in the general vicinity, the drive-in should be on the same side of the street as those stores. To attract recreation or pleasure trip shoppers, locations along a heavily travelled artery are best. The location should be convenient to enter and leave, adjacent to the incoming traffic.

Assessing Site Evaluation Criteria

The description of locations you have just read provides most of the ideas about the evaluative criteria for selection of a site. Putting all of the different ideas together and coming to a decision is the trick. There is no such thing as a "Perfect site." Retailers must decide which attributes are the most important to their business.

(1) Sales potential for the site. The demographic, economic, and competition factors and strategies by which management hopes to create a competitive advantage determine the estimate of sales

for a site. Growth potential should be a basic consideration in the evaluation of the sales potential.

(2) Accessibility to the site. Automobile and public transportation access to the site and adequate parking may well be defining criteria. There may be a number of barriers to the target market seeing the site as accessible. The barriers may be geographical, such as mountains or rivers. They may be psychological, such as the perceived quality of the neighbour hoods that customers must travel through. Barriers are often man made, such as one way frontage roads, bridges, clover leafs, and long term public works construction projects.

(3) Pedestrian accessibility at the site. The site must provide reasonable actual and perceived access to the store. Traffic patterns within malls or on city streets can help or hinder pedestrian access. The storefronts can intimidate or encourage entry. Neighbouring stores can bring potenial customers near or drive them away.

(4) Synergies from nearby stores. We discussed image transference as either a help or a hindrance to drawing traffic to the store. There is cumulative attraction when business can draw more customers together than they could individually. That is why auto dealers will tend to locate where shoppers can visit each of them in a single trip. In a shopping center a group of complementary stores such as apparel and accessories benefit from being near one have similar retailing strategies on dimensions of merchandise quality and price lines, service quality and store atmosphere. Technology is providing new ways to fine -tune the site evaluation process in terms of the architectural fit with neighbouring stores. How the store and its exterior design mesh with the neighbouring stores is a concern. Advanced computer imaging allows the retailer to see how the storefront will look in the area before construction or moving begins.

(5) Site economics : Leasing and occupancy terms. The terms of the lease or purchase contracts have critical implications for the retailers. In a recent survey of retail managers,leasing options and terms were expressed as among their top concerns. Occupancy rates in the immediate or surrounding vicinity also have important implications to retail managers. For example, lower occupancy rates may improve your ability to negotiate a more favourable lease because the developer is anxious to fill vacant space; but low occupancy may signal poor access, poor market variables, or poor management relations with the center owner /developer. Furthermore, even if the vacant space; but low occupancy may signal poor economic viability in the market, too much vacancy can be an open door to a competitor. In fact, if the vacant space is sufficient, it can quickly be occupied by a competitor that you did not anticipate. The full range of the costs of occupancy must be considered. Local taxes, maintenance and renovation costs, utilities, as well as the cost to rent or own are all critical factors.

(6) Legal and political environment. Increasingly, the legal and political environment is an important consideration in site location decisions. Changes in zoning laws, taxing districts, and road maintenance projects can threaten the long run viability of a specific site.

(7) Physical features. The physical features of the site and neighbouring area must not be overlooked. Whether it is raw land or an existing building, the physical dimensions of the site must fit your needs. Gap, for example, has adopted a standard layout for all its stores to simplify shelving, checkout, stock room, and merchandise display needs . Consequently if a site will not accommodate this predetermined configuration it is abandoned. The size and shape of a site, visibility of a site for signs, age of surrounding buildings , traffic flows by time of day, traffic turning patterns, and number of traffic lanes have critical implications to factors such as access, number of cars that can be parked or room for future expansion. Condition of building or rental space, visibility from the street, disabled and delivery access, parking lot condition and size, and interior decor must also be considered. A site that is functional today may not be functional tomorrow as your business expands. As an area grows, you need to be able to access whether or not the existing streets, highways, and intersections will accommodate the expanded vehicular traffic. The close proximity of older buildings may suggest that furniture development is unlikely or that the area is suffering from economic decline. Close attention to zoning must be paid when evaluating the physical features of a proposed site.

INTERIOR AND EXTERIOR ATMOSPHERICS (STORE DESIGN AND LAYOUT)

INTRODUCTION

Rapid changes in consumer buying behaviour and demographics require that today's retailer be extremely flexible and creative when thinking about the store design, layout, and presentation plans. Store design and layout are derived from the retail format, and yet they area part of that format. Retail format as the total mix of merchandise, services, advertising and promotion, pricing policies and practices, location, store design, layout, and visual merchandising used to implement the sustainable competitive advantage.

COMPREHENSIVE STORE PLANNING

In this section we will discuss some overall planning concepts. We will then turn to more details regarding exterior design, interior design, layout management, and interior design elements. Protect, enclose, and display, merchandise at a central location, fit the desired store image, and be operationally efficient.

Store design

Stores vary so much in kind, size, and geographical location that it is difficult to generalize about design. The architecture of the store's exterior creates an initial impression. For example, if a retailer chooses to remodel an older Victorian home, the customer will get a different impression from that of a store in the mall. The reminder of the 1990s will likely see design continue to be less concerned with aesthetics and more concerned with establishing an identity and marketing a store image. Key issues like the 1990 Americans with Disabilities act and state/local ordinances will continue to affect retail design as our population ages and becomes more diverse.[6] Because of continued pressure on costs, newer designs reflect a closer attention to all details including store size. The drive to reduce inventory levels has forced a move to smaller stores, because a large store with less merchandise looks as though it is going out of business. The stores showing an increase in store size are those attempting to diversify and broaden merchandise lines. Higher rents, higher building costs, and the move localized stores because of the customer's desire for convenience hurt larger, stand alone and regional mall stores. Let's look at the planning process.

General Requirements in store design

The first step of store design is the development of a comprehensive plan for the overall requirements of the store. On the basis of market potential (the sales estimate and dollars received per square foot of selling area), plans can be made to meet the need for storage and selling space. The plan must specify the ways to achieve the best traffic circulation possible throughout the store and the types and sizes of fixtures necessary to display the merchandise in an appealing manner. A careful study of these factors helps make stores attractive, conducive to shopping, and as operationally efficient as possible.

Comprehensive planning requires developing a customer -bases holistic focus for the design and layout of the store and for the desired store image. Only after this customer focus is defined should a comprehensive plan be developed for both the exterior and interior of the store that matches the desired store image.

1. Customer Focus

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

2. Store Image

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

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

3. Holistic Approach

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

4. Technology and Planning

Store designs are becoming more complex as new formats evolve. For this and efficiency reasons, it is becoming more common to rely on technology to assist in developing a store layout design. Computer-aided design (CAD) helps plan stores that more space-efficient.

Planning can be done quickly and changes are easy to make. New construction design for a 200,00-squre-design software and hardware.

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

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

EXTERIOR DESIGN

The exterior design must protect the interior from the elements. Just as important, it also serves to convey information to potential customers. The exterior is first part of the store that potential customers see. They will determine from the outside whether or not they wish to enter and shop. It is critical that the outside of the store gain the attention of customers and entice them to enter. If the outside does not reflect an image appropriate to customers, they will not enter.

1. New Building versus Existing Facility

The decision to build a new facility or seek existing space is a critical element in exterior design planning. Each option has its advantages. Building allows the retailer to design all aspects of the exterior and interior. However, this option may be limited by location availability, time, or cost. Buying, renting, or leasing existing space has the advantage of being much quicker, may offer the advantage of a superior location and may be less expensive. However, a retailer is often limited in what can be done with regard to design issues. It is often the case where major renovations of existing space are as expensive as building from the ground up.

2. Restrictions

Recognizing the importance of the exterior, retailers have become very competitive in their designs. Unfortunately, this has often led to many areas looking like a war zone of competing colors, signs, shapes, and sounds. Both property owners and governments alike have taken steps to ensure that consumers are not assaulted by on overwhelming amount of stimuli.

(a) Lease requirements. Many property owners require retailers that lease their space to adhere to certain rules regarding store design. These rules serve two purposes. First, they assure the owner that property will be maintained good condition; and second, they ensure that the surrounding property does not lose value. For example, most malls require that signs be certain sizes and often limit the use of intense light.

(b) Building codes. Most cities have building codes for businesses; often many are directed at retailers. These serve several purposes. First, they protect the public. Fire codes and safety regulations are examples. Some codes include sign ordinances that try to create some kind of visual harmony. Second, they ensure equal access to shopping for those with disabilities; and third, they reflect the community's attitude with regard to appearance. For example, many town recognize the need of retailers to promote their business through the use of signs. However, for aesthetic purposes, they have limited or abolished signs in particular areas.

(c) Theme areas. Theme areas are those in which buildings must meet structural requirements that fit a certain theme. Many downtown areas are implementing very strict building codes that allow businesses to stay only if they fit with the atmosphere the area is trying to create. For example, the building codes in downtown Santa Fe require the exterior of the buildings to be adobe, among many structural requirements. This adds to the enjoyment of shopping and increases tourism.

3. Colour and materials

The exterior colour texture of a store give a lasting first impression to the consumer. Often, this will be the first and sometimes the only thing a customer sees of a store. It is important that the exterior look and "Feel" right to the shopper. The colours and material should express the image of the store. Today s retailers are increasingly using textured building materials (brick, rough-sawn wood, and so on) at the store entrance to give a pleasant feeling to the facade. Steel buildings tend to create an impression of strength, whereas glass tends to create an altogether different impression, usually of a more modern store. Concrete or bock can contribute to the overall image of low cost or value. Brick may create a more upscale feeling.

4. Signs

Effective use of signs identifies the nature of the business, build a corporate identity, communicates an image, ties the company to its advertising through the use of a logo, and attracts to the store.

The most common signage is in plastic based materials despite the relatively high cost. Companies find that effective signs have individual letters that are coated in tough plastics and illuminated from within by neon tubes. This type of sign has advantages because it uses 15 to 20 percent less energy than other lighted signs and has an extremely long life. Stores desiring a very contemporary look may use exposed tubes; small strip shopping centers may use hand crafted wooden signs to maintain a low profile. Backlight signs offer a slightly more expensive possibility. Instead of the light splashing out of the front of the letter, it washes the wall with a silhouette. Mall tenants may be limited in the type and size of their sign management rules. Signs from materials such as wood or metal that have direct lighting can be used to create different images from luxury to country. However, plastic technology today allows the creation of nearby and look.

(a) Exterior walls and signs.

Many retailers use the exterior wall space to promote their store. Painting the name and logo of a business on the exterior is often less expensive than having a custom-made sign. Examples of this vary from a simple, elegant script indicating the name of the store to more exotic art that includes not only the name but also pictures. It artwork is used on the exterior of the building, it must conform to the principles of design, appeal to the customer base, and be integrated with the rest of the architecture.

5. Windows

The main purpose of windows is to attract attention and create an image to potential customers standing outside. Humor, theatrical flair, color, motion, or sound playing outside the windows work well to increase the effectiveness of the display. One of the biggest advantages of display windows is the ability to dramatically affect the exterior of the store. Most of the exterior requires major renovations to change. A retailer can take advantage of its window space to reflect changes in the store's offerings on a seasonal or monthly basis.

The window displays project the image of the store. While one story may be trying to say "Quality" in its windows by showing specific brands or fashions, other stores may use window displays to project a low price or value image. Regardless of whether it is a children's store, a sporting goods store, or a home furnishings store, the window display is often one of the first efforts to communicate with customers and invite them.

Window design is a function of the physical design of the store, and not something specifically requested by the retail manager or merchandising designer. The open back, as opposed to the closed back, is a window through which the interior of the store itself becomes the display case. When open-back windows are used, the store does not have valuable selling space tied up in windows, management need not concern itself with planning window displays, and the problems of keeping windows clean and timely are usually avoided. However, the open-back window can cause unexpected display problems and exaggerate old ones. For example, the most significant concerns are reflection, sun glare, sun control, artificial lighting for both day and night, and the necessity for a general organisation of merchandise within a completely exposed store.

a) Awnings.

The use of awnings is a subset of the window and exterior design issue and often poses a particular problem for retailers. Most awnings are made of fabric and are of the old scissors or outrigger style. In recent years, fabric awnings that can be fastened into a recessed box at the end of the building have been developed. Other ways of awnings are structural part of the building.

Awnings come in many assorted sizes, colours, and styles. Merchants can take advantage of an awning to attract attention by using it as promotional space. Many companies now sell custom awnings that are designed to fit with the store's image.

6. The Store entrance

One of the first and most striking impressions customers get of a store is the one they receive as they go through the front door. An entrance should be more than a device to keep people out of the store, to encourage them to come in, or to protect against the elements. An entrance should have character, and it should say to prospective customer, "lease come through the door where you will be treated with courtesy and friendliness and served to the best of our ability." The entrance might be graceful and elegant or dull and functional; in any case, it should be compatible with the store design and provide an easy way to enter.

7. Store Name

Although not strictly related to external design, the choice of a store name does have an effect on the overall store image. The favourable or unfavourable image generated by the use of a name can enhance or negate the style set by store design.

At first glance, choosing a name for the business may seem to be a rather easy task. Unfortunately, this is not the case. Often it is desirable that the name sound not only attractive but prestigious.

8. Theft Prevention

Another area of concern with exterior design is employee and customer theft. The design must consider the flow of people in and out of the store and how they may be observed or pass through technology-based theft prevention. Exterior doors and docks for receiving goods or trash disposal should also be designed and arranged to minimize opportunities for unauthorized entrance and exit.

9. Multilevel Stores

Because of the need for increased parking space in relation to shopping area in suburban stores and shopping centers, the multiple-level store is especially appealing to retailers. Even super markets have experimented with this type of design. Properly carried out, a multilevel facility offers the merchant a means of both expanding the selling area separating areas from one another. It also gives an overall feeling is that of "pulling people" though the store. Careful attention has to be paid to which merchandise is in high demand so that it can be placed on the upper levels. In the process of seeking it out customers will move through the store. Putting a restaurant on the top level, for example, helps this pulling process.

INTERIOR STORE DESIGN AND LAYOUT

The interior design of the store determines the way the merchandise is stored and offered for sale. The design should allow easy access to merchandise for customer. There are several layout patterns that enhance the customer s access to goods. The interior also projects an image to the shopper that should be consistent with that conveyed by the store s promotion, price, and merchandise and with the exterior design. The store interior must make the customer comfortable and encourage shopping.

The objective of layout management is to obtain the maximum benefits from the space available. There are issues that retail managers should consider when they make layout decision:

1) Value of space,

2) Space utilization and allocation,

3) customer traffic flow,

4) the types of goods,

5) complementary merchandise proximity, and

6) the desired store image.

Value of Space

The value of space, depending on the location within the store, is expressed in sales per square foot of floor space, and sales per cubic foot of cubic space. **Sales per square foot** is the typical measure for a store, department, or freestanding display. A display, for example, may generate sales of $1,500 per square foot, where as a retailer like Sam's will generate sales of $500 across entire store. **Sales per liner foot** is the common measure of shelf space for items like groceries, pet foods, and health and beauty aids. An emerging method of calculating space value on the shelf is **sales per square foot of exposure space.** This is calculated by a length times height measure of vertical space. Space has height value in addition to liner value. **Sales per cubic foot** is a relevant measure for freezer and refrigerator cases.

The first and perhaps the most significant element in planning a store layout is the fact that store space varies in value. Some parts of the store are visited by more people than other parts. Therefore, it is easier to make sales along the routes travelled by customers. This means that the value of the space is higher along the more highly travelled routes.

Not surprisingly, the area closet to the entrance of the store is the most valuable. The space nearest the front ranks second value, and so on to the back of the store. By the same line of reasoning, store space is less valuable in parts of the store that are difficult to reach. One would also expect variations in sales profits on different floors of the same store. As height from the ground floor increases, the difficulty of attracting customers becomes greater. Consequently, space on the upper floors or in the basement has less value than space on the main floor.

2. Space Utilization and Allocation

The available space in the store is divided into selling and non selling areas. The non selling space includes administrative offices, storage, and customer amenities, such as rest rooms. These are all critical requirements for a store. The desire to minimize non selling space has led to several innovative operating procedures. Among them is the restocking of inventory. Many retailers have begun using quick response (QR) inventory system, where inventory arrives from vendors or a distribution center as it needed on the selling floor. Many retailers lack the partnering relationships with vendors required for QR.

There are several different methods of determining the amount of space a department or product class should receive. Among the most popular is space allocation by historical sales, gross margin contribution, industry averages, or strategic objectives.

Some departments command a higher gross margin and /higher sales volume per square foot than others. Because departments such as jewellery, candy, and toys can play their way in the high-value locations of the store, they can be placed in the more valuable areas. Some merchandise has better display potential than others and is capable of generating higher sales per square foot. A leather goods department, for example, lends itself to an interesting and dramatic display. Therefore, departments with such capabilities should receive choice locations.

a) Allocation by historical sales.

The amount space that a department or product is allocated is sometimes based on the proportional sales of the product. For example, if apparel traditionally accounts for half of the store sales, it would receive half of the space. A minor problem with this method is that it can lead to under or over allocation of space over time. For example, if space is allocated each year and a department has decreasing sales, the space of that department is decreased. This could lead to a greater decrease in sales, which in turn will lead to a continuing decrease in space. Another potential problem is the over allocation of space on high-priced items. A jewellery department may have very high sales compared to shoes; however, jewellery requires less space because of its physical size. Competition may mean that some volume selling seasonal goods have much lower margins. This can lead to a great deal of space given too less profitable item.

b) Allocation by gross margin.

One way around the problem of allocating space by sales is to allocate it by gross margin. You remember that gross margin is sales less cost of goods sold. The same method as sales is used except that space allocation is based on the proportion of margin. For example, assume an electronics department has 10 percent of the sales but contributes only 8 percent of the total gross margin for the store. The department would receive only 8 percent of the space. On the basis of financial criteria, these programs recommend how much space each category of products should have and a specific product mix that will enable the retailer to maximize profits.

c) Allocation by industry averages.

Stores sometimes allocate space based on competitive pressures. They allocate the same proportion of space to a particular item as the competition or a similar store. Trade associations provide these kinds of data. This allows the retailer not to appear weak in a particular department. However, it also creates a 'me too" atmosphere that may not differentiate the store from competitors.

d) Allocation by strategic objective.

Often a store will wish to build up sales in a particular product line. The manager will allocate the product more space that is justified by its previous sales. For instance, if shoes are not selling well but they are important to the image of the retailer, a manager may give more space to the shoe department so that more varieties in types and styles and a greater assortment of colours and sizes are available for sale. Store managers may also use this method for short term promotion to build up sales of new product line. Thus, this is some times referred to as the 'build up" method.

3. Storage of Stock

There are three accepted ways to handle storage in designing a retail store. The first way is to use **direct selling storage -** either exposed in show cases, counters, and drawers, or concealed behind cabinet doors. The second way to provide for storage is through **stockrooms** directly behind the selling area and in the perimeters. The third way is through a **central storage** location. In general, central storage is best located next to receiving and marking areas and as close as possible to selling areas. The trend is to reduce inventory levels by more frequent delivery and better forecasting of sales. It has become easier to display a greater percentage of the store's stock, leaving as little in concealed areas as possible.

Some store formats, like Service Merchandise, do not sell the stock on display. The goods are stored on floors above the selling area and then sent to a receiving area for customer pickup. Furniture, carpet, and appliance stores of ten stock merchandise off-premises in less expensive warehouse space because delivery to the home is required. There is no reason for valuable selling space to be devoted to duplicate items on the selling floor.

Exposed merchandise has great appeal. Recently, there has been a movement toward **open storage,** displaying all the inventory on hand and eliminating dead space. The trend toward self-service selection has made it practical to display most of the stock. Furthermore, stocking and stock maintenance time is reduced. So storage area is becoming more and more important in the recent days.

4. Customer Traffic flow

Merchants use three basic types of layout patterns to control traffic flow in a store. The first type is known as the **grid pattern.** This arrangement his main, secondary, and tertiary aisles. The layout often maximizes the amount of selling space. It has an advantage in lower costs because of the possibility of standardizing construction and fixture requirements.

The second major type of layout design is the **free flow pattern.** The free flow arrangement provides for flexibility in a layout. It reduces to a minimum the structural elements that from the fixed shell of building, such as columns and fixed partitions. Counters are arranged to give maximum visual interest and customer attention to each merchandise department. Counters can be positioned so that their angles will literally capture customer in a department.

The third type, the **"shop" concept** or **boutique pattern,** is a natural extension of the free flow layout arrangements. Shops must be presented to the public so that they stand out from other departments and become small, intimate specialty stores within themselves. The free flow layout patterns make this easy to do.

Stores should be laid out so that customers can get to various parts conveniently and with little effort. Some aisles are made larger and are designed to accommodate a higher traffic count than others. In general, aisles should be wide if the merchandise adjoining the aisle is the type that customers like to look at for a long time before purchasing; if there tends to be a large concentration of customers, such as at entrances and escalators and before promotional merchandise displays; or if the retailer is attempting to control traffic to maximize customer exposure to various merchandise departments.

Grid pattern layout

The diagram below shows a grid pattern of layout

Storage

Counters

Doors

Boutique layout The following diagram shows the boutique layout

Lingerie

Jewellery

Fragrances

Formal Apparel

5. Types of Goods

Merchandise can be broken up into four major categories : impulse goods, convenience goods, shopping goods, and speciality goods.

Impulse goods are goods customers buy as unplanned purchases. An example might be candy sold at the checkout counter, corkscrew in the wine section or videotape in the electronic section.

Convenience goods

They are those that consumer put a minimum amount of thought into, usually purchasing a known brand or whatever is available. Examples are newspapers and batteries.

Shopping goods

They are those for which a customer is willing to search and compare. There may or may not be a brand preference. There may or may not be a brand preference. If customer is looking for a specific brand, such as a Sony Trinitron TV, the shopping may be for the best price or service. A customer will likely make a trip to different stores seeking just the right goods. **Speciality goods**

They are those for which customers have a preconceived need and for which they make a specific effort to come to the store to purchase. Consumers usually will not accept a substitute for a speciality good and will sometimes go to extraordinary, effort to purchase such an item.

Impulse and convenience goods benefit by being located in high traffic areas where customers,as they pass by the displays, are likely to pick up an item for purchase. In many stores the checkout counter will be crowded with impulse goods such as candies, batteries, and miscellaneous odds and ends. Shopping goods on the other hand, because of the preconceived need, may be situated in more remote areas of the store. In most of the grocery stores, the meat is located at the back. This encourages the customers to pass through other aisles and increases the possibility of a higher number of purchases. Speciality goods are unique in that they can create customer traffic. Often a store selling speciality goods can locate in a less expensive site.

The type of the merchandise is the important consideration in a store layout. Think about how all four types of goods might influence a lay out in a discount drug store. For a particular customer a prescription could be a speciality good, and the customer would travel through a maze to get to the pharmacy. While going to the pharmacy a lot of convenience goods such as health and beauty aids may be picked for purchase. While in the store the customer could seek out the area where a shopping good like a home vaporizer was located and do some brand and price comparisons for the future purchase. In the check out area an un planned purchase of film could be made. The key to using the type of good concept for layout is to understand how the store's target market shops for the goods that are going to be offered

a) Complementary merchandise placement.

The layout must also take into consideration the nature of complementary merchandise that is interrelated: A sale of an item prompts the sale of another item. For example, the sale of a shirt could logically lead to the sale of a ties, which in turn could lead to the sale of a tiepin. Because of these additional sales possibilities, it is appropriate to plan the interior design so that related merchandise is in close proximity.

b) Seasonal departments.

Some departments need considerable space during particular times of the year. Seasonal departments such as toys, lawn and garden, and greeting cards are examples. Because these departments must expand and contract during certain times of the year, provision must be made to accommodate these seasonal changes. To accomplish this, departments with offsetting seasonal peaks in sales should be placed next to one another or in place of one another.

INTERIOR DESIGN ELEMENTS

1) Fixtures

A major consideration in developing an appropriate store design involves the use of fixtures. They are used to display merchandise, to help sell it, to guard it, and to provide a storage space for it. They should be attractive and focus customer's attention and interest on the merchandise.

One way to bring the cost of fixtures down is standardization; customisation is expensive, and construction budgets today allow this luxury only where speciality departments can justify the cost. Some stores are trying to keep a lid on fixture costs with walls that don't reach the ceiling but instead begin two feet down. Besides being cheaper and faster to put up, they don't affect sprinklers, lighting, heating ventilation and air conditioning (HVAC),and other ceiling ducts.

Most stores are moving toward smaller and less dense fixtures than what they previously used, which is another way to control costs. But even more significantly, the trend reflects the reduction in many stores' inventory levels. Glass cubes that once consisted of sixteen inch and eighteen-inch high bins may now be housed in twelve-inch bins. This way, although there are fewer items in each unit, it still looks full. Another trend is a renewed demand for wood and glass, which in recent years were demand for wood and glass, which in recent years were over shadowed by the more affordable clear plastic.

2. Displays

Display an important role in a retail store. An attractive and informative display can help sell gods. Poorly designed displays can ruin the store's atmosphere and centre an uncomfortable setting. Since displays often take up premium space within the store, they carry a heavy burden of productivity in terms of creating sales.

There are several principals of rules of displays that help ensure their effectiveness :

a)They should achieve balance,

b) provide a dominant point,

c) create eye movement d)low gradation,

c) just merchandise to proper height,

d) group the merchandise in the display, e)generate sales appeal ,

f)keep merchandise in proper order, and

g) display names of products and store name.

h) Displays should also be simple and not chaotic or congested.

a) Balance.

In building a display, it is important to make sure that it appears balanced to the viewer. This is achieved by arranging products in a symmetric manner. Displays may have formal or informal balance. **Formal balance** is achieved by placing similar items equal distance from the center. **Informal balance** is achieved by placing different sized goods or objects away from the center based on their relative size.

b) Dominance.

All displays should have a central point that will attract the viewer's eye. The point may be achieved by using prominent piece of merchandise, such as a diamond pendant, using dramatic colours, such as a bright scarf, or using streamers arranged toward the center of the display.

c) Eye movement.

Displays should direct the eyes away from the point of dominance in a systematic fashion, instead of encouraging them to jump from one end to the other. If the viewer's eyes move indiscriminately around the display, the shopper will miss some of the merchandise and will not get the full message intended.

d) Gradation.

The gradation is the sequence in which items are arranged. For example, small items are usually placed at the front of the display, medium items father back, and large items at the rear. The creates harmony and an appealing illusion.

e) Height of merchandise. Merchandise that has the greatest effect should be placed at the eye level of the

customer. Because viewers tend to look straight ahead, merchandise placed at eyes level is most likely to be seen.

f) Grouping merchandise.

Too many retailers place one item after another in a long row. Shoe stores, jewellery stores, and mass merchandisers tend to do this. Stores with large amounts of one item or with one line of goods are likely to build longer displays. Instead of creating long displays where the customer has problems picking out merchandise, retailers should group items so that the customer's eyes cannot travel from group to group but stop and focus on particular products.

g) Sales appeal.

Displays should always show the best merchandise that the retailer has to offer. As discussed above, displays take up some of the most valuable space in the store. Using show-moving items for display is a waste. One way to generate sales appeal is to choose the most important feature of the merchandise being displayed and focus on it. Another way is create a theme that already exists within the customer's mind, such as Valentine's Day, Christmas, or back to school. Customers relate best when they can grasp the total picture.

h) Keeping it simple. Since displays take up a great deal valuable space, there is a tendency to get as much into them as possible. While the idea of more is better may be true for chocolate, it is not true for displays. Too many items in a display district and confuse the consumer, and they tend to create an atmosphere of chaos or congestion.

3) Colour

The psychological effect of colour continues to be important to retailers. Colour is also important in ware house type stores because of the vast open area of the interior. Bold colours are frequently used to highlight merchandise sections or departments and to reduce attention to what is typically an open -girder ceiling. Clearly, intelligent use of colour is important in store design. Since people are drawn to warm colours, yellow and red can help draw customers into the store through the entrance. Cool colours such as blues and greens tend to calm people and are useful in areas where customers need time to deliberate over the purchase decision.

4) Lighting

Proper lighting is one of the most important considerations in retail design. At one point in time the function of lighting was to provide customers with a means of finding their way through the store. Today, lighting has become a display medium. It is an integral part of the store's interior and exterior design. Lighting should match the mood retailer is attempting to create with the rest of the store decor and should complement, rather than detract from, the merchandise.

General illumination is needed throughout the store. However, most stores need additional localized lighting to highlight special displays and showcases, help bring out colours, and relieve the monotony of even, overall light. Too much or too little lighting, or even the wrong type of lighting, can create false impressions about the merchandise on display. Incandescent lighting used alone, for example, accents yellow and red. Fluorescent lights frequently build up blues and purple. Therefore, retailers must use a lighting combination that gives a correct impression of the merchandise while de-emphasising the source of the light itself.

5) Ceilings

Ceilings represent a potentially important element interior design. In older stores, ceilings of twelve to sixteen feet are still common, but most department store ceilings are now in the nine - to- ten foot range. Remember, the higher the ceiling, the more space to heat and cool at increasing energy rates. Ceiling heights are becoming much less standardized within stores. Designers are making use of varied ceiling drops to create distinct for different departments within a store.

6) Flooring

Retailers are taking a sophisticated "return investment" approach to flooring decisions. Firms are willing to pay higher-up-front installation costs for more expensive materials if they see a return in greater durability and reduced maintenance expenses.

Flooring choices are important because the coverings can be used to separate departments, muffle noise in high - traffic areas, and strengthen the store image. The range of choices for floor coverings is endless: Carpeting, wood, terrazzo, quarry tile, and vinyl composition all have applications in different settings.

7) Shelving

The material used for shelving as well as its design must be compatible with the merchandising strategy and the over all image desired. Stainless steel shelving creates an entirely different effect than the painted wood cubes in the Country Seat or the typical metal shaving seen in a general merchandise store, Glass shelving, framed in the woods, creates an element of elegance difficult to achieve otherwise. General shelving considerations and merchandise display are discussed in the next selection.

8) Plano grams and Shelf Layout Design

One of the key tools of modern shelf and layout planning is the **Plano gram.** This is a graphical representation that visually shows the space to be allocated by describing where every stock keeping unit(SKU) within a space is physically located.. The Plano gram produces a map for the length, height, and depth of shelves with the number and location of the SKU.

9) Other considerations

There are other considerations that can round out the image and atmosphere created by the interior design elements. For example, the type and sound level of music can be focused on a given market segment. Scents can be used to help identify with a market group or create a feeling about being in the store. The level of maintenance and cleanliness also sets a tone.

Summary

Retailers want to locate their stores in the best place possible. The best place possible will vary from retailer to retailer depending on the industry type, type of product, competition, and other market factors. Basically a retail store has to be located where the market opportunities are at optimal levels.

There are basic guidelines that most retailers examine before choosing a new location. First, the retailer must select a country or region and then define the boundaries of the trade area and evaluate its population characteristics against the retailers target market. The buying power of the area must be considered along with its market and sales potential.

The size, location, and type of competition must also be taken into account. The local legal and political environment must be examined along with the leasing costs and occupancy rates. The actual physical features of the location - such as available space, traffic and access to the site, and surrounding buildings - play a role in the selection process.

Retailers possess many tools to help in the site selection decision. Reilly's law and Huff's model can aid in defining the trade area. Market segmentation and demographic segmentation provides clues to population characteristics. The buying power index and effective buying income suggest strength of the economic base while the index of retail saturation offers a benchmark for market comparison.

Changes in consumer lifestyle will require new strategies for selecting retailing locations, such as the increasing use of convenience oriented sites, the integration of food and non-food retailing, and the placement of retail merchandising in amusement parks.

There a numerous kind of retail stores to choose from as well. Most potential sites fall in to one of these categories: business districts, shopping centers, and freestanding locations. There are specific advantages and disadvantages for each type of location. The bottom line in retail site selection should be to choose a location that will fit both today's and tomorrow's needs.

The layout and design of a retail store communicate a significant amount of information about the retailer to the consumer. The architectural character of the store, building a new location, renovating existing facilities, exterior design, interior design the modern self layout and the image of the store are the key issues in designing a layout for a store.

RETAIL PRICING

CONCEPT OF RETAIL PRICING

Pricing decisions is important because customers have alternatives to choose from and are better informed. Customers are in a position to seek good value

$$\text{Value} = \frac{\text{perceived benefits}}{\text{price}}$$

So, retailers can increase value and stimulate sales by increasing benefits or reducing price.

- Integral part of retail marketing mix
- Source of revenue for the retailer
- Communicate the image of the retail store

FACTORS THAT NEED TO BE TAKEN INTO CONSIDERATION

- Demand for the product and the target market
- Store policies and the image to be created
- Competition for the product and the competitor’s price

- Economic conditions prevailing at that time

PRICING OBJECTIVE

- In agreement with the mission statement
- In agreement with the merchandising policies

ELEMENTS OF RETAIL PRICE

1. Cost of goods : Cost of Merchandise
   Expenses incurred towards transportation
   Taxes, duties levies etc.
2. Expenses Incurred : Fixed expenses
   Variable expenses
3. Fixed Expenses :Expenses that do not vary with quantum of business
   eg. Shop rent, Head Office costs etc
4. Variable expenses : Level of sales directly effects variable expenses.
   eg. Merchandise margins, product mix costs
   Their Management either enhances or destroy profitability

FACTORS TO BE CONSIDERED IN RETAIL PRICING

- Price is an integral part of the retail marketing mix. It is the factor, which is the source of revenue for the retailer. The price of the merchandise also communicates the image of the retail store to the customers. Various factors like the target market; store policies, competition and the economic conditions need to be taken into consideration while arriving at the price of a product.

I EXTERNAL FACTORS

a. **Price sensitivity**: The first factor to be taken into consideration is the **demand for the product and the target market**. Who is this product meant for and what is the value proposition for the consumer. In some cases, the price of the product is linked to the quality. This is generally in the case of products like electronics, where a high priced product is perceived to be of good quality. On the other hand, for products like designer clothing, a certain section of the population may be willing to pay a premium price.

Hence, it is very essential that the buyer is clear about the target market for the producer and the value proposition that they would look for.

$$\text{Elasticity} = \frac{\text{percent change in quantity sold}}{\text{percent change in price}}$$

For products with price elasticity less than -1, the price that maximizes profits can be determined by the following formula:

$$\text{Profit maximizing price} = \frac{\text{price elasticity x cost}}{\text{price elasticity +1}}$$

b. The **stores policies and the images t**o be created also influence the pricing of a product. Retailers who want create a prestige image may opt for a higher pricing policy, while the retailer who wants to penetrate the market, may decide to offer a value for money proposition.

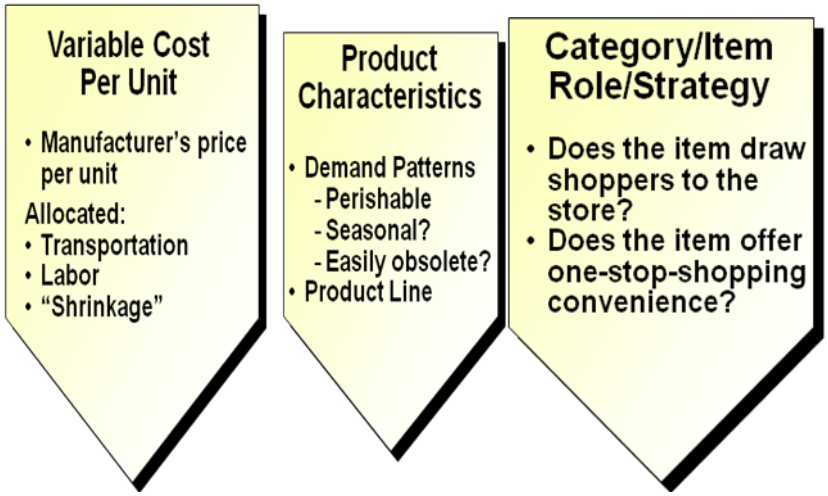
c. **Competition** for the product and the competitor's price for similar product in the market also need to be taken into consideration. In case the product is unique and does not have any competition, it can command a premium prices on the other hand, in case there after a fair number of similar products in the market, the prices of such product need to be taken into consideration before fixing the price. Most retailers routinely collect price data about their competitors to adjust their prices to remain competitive.

How Can Retailers Reduce Price Competition?

- Develop lines of private label merchandise
- Negotiate with national brands manufacturers for exclusive distribution rights
- Have vendors make unique products for the retailer

d. The **economic conditions** prevalent at the times play a major role in the pricing Policy. For example, during an economic slowdown, prices are generally lowered to generate more sales. The demand and supply situation in the market also affects Prices. If the demand is more than the supply, prices can be premium, however, when supply is mores than the demand, prices had to be economical.

Pricing INTERNAL FACTORS



Pricing Strategies

EDLP vs HIGH/LOW

- Everyday Low Pricing (EDLP)
    - EDLP involves continuity of retail prices at a level somewhere between the regular non-sale price and the deep-discount sale price of high/low retailers.
    - Prices are set between regular non-sale price and deep discount sale prices
    - May consider it as "Everyday Stable Prices"
- High/Low Pricing
    - ♦ This strategy involves charging differential pricing for the merchandise over a period of time- normally a week or a season. It starts with a high price tag and then adjusted downwards in a single go or multiple phases.
    - ♦ Prices are higher than EDLP competitors, but promote frequent sales featuring lower prices
    - ♦ Makes the consumer's purchase decision time-dependent

ELEMENTS OF RETAIL PRICE:

In order to arrive at the retail price, one needs to first consider the elements that go into the calculation of the price. The first element to be considered is the Cost of Goods, which is the cost of the merchandise and various other expenses that are involved in the movement of the goods from the manufacturer to the actual store. These expenses may be fixed or Variable. Fixed Expenses are those, which do not vary with the quantity of the sale or business done. Sop rents and head office costs fall into this category. The level of sales directly affects the variable expenses. Merchandise margins and the product mix, however, are variable, and their management can either enhance or destroy Profitability.

The profit to be earned from the merchandises must be planned before fixing the retail price. The profit figure arrived at, can be expressed as a percentage of the retail price or as a percentage of the cost price.

FIXING THE RETAIL PRICE

Consideration : Profit to be earned;profit from Merchandise planed before price fixation; Profit to be arrived at is expressed as a mark up percentage

Retail Price = Cost of merchandise + Mark Up

or

Cost = Retail Price - Mark Up

or

Mark Up = Retail Price - Cost

Components of the formula can be expressed in Rupee Term or as a percentage

Mark Up percentage can be expressed as Percentage of retail price or as a percentage of cost price

Mark Up percent (based on Retail Price) = Mark Up in Rupees / Retail Price

Mark Up percent (based on Cost) = Mark Up in Rupees / Cost

Initial markup – retail selling price initially set for the merchandise minus the cost of the merchandise.

Maintained markup – the actual sales realized for the merchandise minus its costs

ILLUSTRATION

Assume the cost of merchandise = Rs.200.00

The Mark Up is = Rs.150.00

Retail Price = 200 + 150 = 350

Mark Up % on Retail = 150 / 350 = 42.86%

Mark Up % on Cost = 150 / 200 = 75 %

Mark Up fixed is termed as Initial Mark Up

Rarely are all products sold completely at fixed prices

Reduction in price are often made and could be due to Markdowns, Employee discounts, Customer Discounts or Shrinkage

$$\text{Initial markup \%} = \frac{\text{Maintained markup \% (as a percent of planned actual sales)} + \text{Reductions \% (as a percent of planned actual sales)}}{100\% + \text{Reductions \% (as a percent of planned actual sales)}}$$

ILLUSTRATION OF COST PLUS PRICING

Cost of fabric = Rs.150.00 per meter

Fabric consumption = 1.30 meters

Total Fabric Cost = Rs.195.00

Manufacturing Cost = Rs.100.00

Basic Cost = Rs.295.00

Packaging Cost = Rs. 50.00

Cost Price = Rs.345.00

Mark Up @ 60% = Rs.207.00

- Retail Price = Rs. 552.00 Rounded Off Rs.550.00

Thus, the following formulae would apply:

Make Up Per cent (Based on Retail Price) = Mark Up in Rupees / Retail Price and,

Mark Up Per cent (Based on Cost) = Mark up in Rupees / Cost.

Let us under strand this concept with the help of the following illustration. Assume that the cost of the merchandise of an item I s Rs 200 and the mark up is Rs 150. The mark up percentage based one the retail price would work out to 37.5%.

The retail price has been calculated as 200+150 = 350. Mark Up percentage on retail = 150 / 350 = 42.86%

Based on the cost price, the mark up percentage can be calculated as under:

Mark Up percentage on cost = 150 / 200 = 75 %.

The mark up thus fixed, is termed as the Initial Make Up. Rarely are all products sold completely at the fixed price. Reductions in price are often made and could be due to markdowns, employee discounts, customer discounts and / or shrinkage.

e. Markdowns are reductions in the original retail price. Markdowns are discussed in detail later in this chapter, in the section on adjustments to retail prices. Discounts offered to customers and employees who buy the products, also reduce the mark up percentage. Shrinkage includes loss of merchandise due to thefts, or damaged / soiled goods. All these costs reduce the profit margin and hence must be accounted for.

Merchandising Optimization Software

- Setting prices by simply marking up merchandise cost neglect other factors (e.g., price sensitivity, competition, the sales of complementary products)
- Merchandising Optimization Software
    - Utilize a set of algorithms that analyzes past and current merchandise sales prices
    - Estimates the relationship between prices and sales generated
    - Determines the optimal (most profitable) initial price for the merchandise and size and timing for markdowns

Profit Impact of Setting a Retail Price:

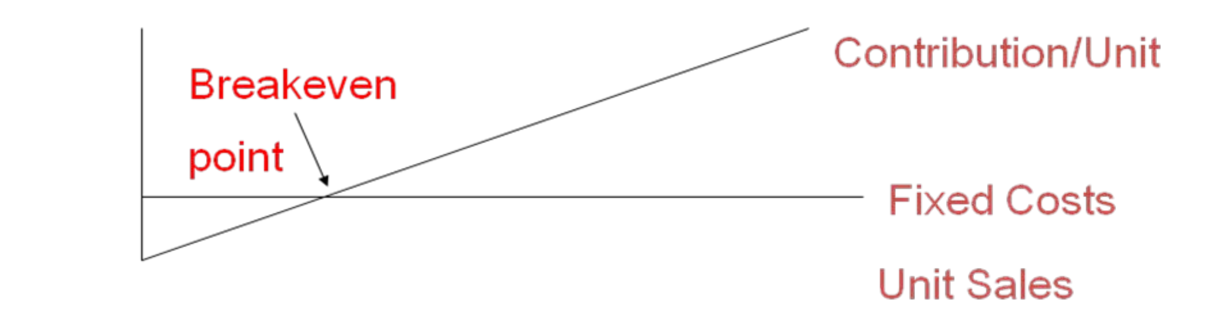
What is the Use of Break-Even Analysis

- Break-even sales to generate a target profit
- Break-even volume and dollars to justify introducing a new product, product line, or department
- Break-even sales change needed to cover a price change

What is Break-even analysis ?

- Determines, on the basis of a consideration of fixed and variable costs, how much merchandise needs to be sold to achieve a break-even (zero) profit
- Fixed costs: don’t change with the quantity of product produced and sold
- Variable costs: vary directly with the quantity of product produced and sold (e.g., direct labor and materials used in producing a product)

Understanding the Implication of Fixed and Variable Cost



$$\text{Break-even quantity} = \frac{\text{Fixed cost}}{\text{Actual unit sales price} - \text{Unit variable cost}}$$

DEVELOPING A PRICING STRATEGY

The pricing strategy adopted by a retailer can be cost-oriented, demand-oriented or competition-oriented.

I **COST ORIENTED PRICING**: In the Cost-oriented method, a fixed percentage is added to the cost price. This is determined by what mark up the retailer works on.

- Basic mark up is added to the cost of merchandise
- Retail price is considered to be a function of the cost and the mark up

  Thus Retail Price = Cost + mark Up
  Or Cost = Retail Price – Mark Up
  Or Mark Up = Retail Price - Cost

The difference between the selling price and the cost is considered to be the mark up and should cover for the operating expenses and the transportation, etc. Mark up percentages may be calculated on the retail price or on the cost. They are calculated as under.

f. Mark up % (at retail) = (Retail Selling Price - Merchandise Cost) / Retail
g. Selling Price Mark up % (at cost) = (Retail Selling Price - Merchandise Cost) / merchandise Cost
h. When the buyer is aware of the mark up percentages required and of the selling price, he can also work out the price at which he actually needs to procure the product.
i. Since it may not be possible to adopt a policy of maintaining a single mark up for a product category, the concept of a variable mark up policy can be followed. This allows

the buyer to procures goods at varying price, but at the same time, maintain the margin that need to be earned, as some products may earn a higher margin as compared to other.

II ***DEMAND ORIENTED PRICING***

Demand-oriented pricing focuses on the quantities that the customers would buy at various prices. It largely depends on the perceived value attached to the product by the customer. Sometimes, a high priced product is perceived to be of a high quality and a low priced product is perceived to be of a low quality. An understanding of the target market and the value proposition that they would look for is the key to demand-oriented pricing. The demand-oriented method bases prices on what price the customer expects to pay for the product. The price fixed here is based on the perceived value of the product. Ultimately, it is the planned gross margin, which needs to be achieved and which is a major consideration while fixing the retail price.

- Focuses on quantities the customers would buy at various prices
- Largely depends on perceived value attached to the product by customers
- Sometimes a high priced product is perceived to be of high quality
- Sometimes a low priced product is perceived to be of inferior quality

Key to demand oriented pricing

- Understanding of the target market
- Value based proposition that they would look for

III COMPETITION – ORIENTED PRICING

When the prices adopted by the competitors play a key role in determining the price of the product, then competition-oriented pricing is said to follow. Here, the retailer may price the product on par with the competition, above the competitor's price or below that price.

- Competition is the criteria of fixing the price
- Competitors play a key role in determining price
- Retailer fixes price on par with the competitors
- Retailer fixes price above the competitor’s price

Retailer fixes price below the competitor’s price

IMPORTANT TERMS USED BY RETAILERS IN PRICING

Price Lining : When retailers sell merchandise only at a given price

Price Zone or Price Range : Range of prices for a particular merchandise line

Price Point : A specific price in that price range

APPROACHES TO A PRICING STRATEGY

The pricing strategies that can be followed include:

1. **Market skimming** The strategy here is to charge high prices initially and then to reduce them gradually, if at all. A skimming price policy is a form of price discrimination over time and for it to be effective, several conditions must be met.

j. Strategy to charge a high price initially
k. Gradually reduce it if necessary
l. Policy is a form of price discrimination over time
m. To be effective several conditions are to be considered

2. **Market Penetration** This strategy is the opposite of market skimming and aims at capturing a large market share by charging low prices. The low prices charged stimulate purchases sand can discourage competitors from entering the market, as the profit margins per time are low. To be effective, it needs economies of scale, either in manufacturing, retail or both. It also depends upon potential customers being price sensitive about particular item and perhaps, not perceiving much difference between brands.

- Strategy to charge a high price initially
- Gradually reduce it if necessary
- Policy is a form of price discrimination over time
- To be effective several conditions are to be considered

3. **Leader pricing** Here, the retailer bundles a few products together and offers them at a deep discount so as to increase traffic and sales on complementary items. The key to successful leader pricing strategy is that the product must appeal to a Large number of

people and should appear as a bargain. Items best suited for this type of pricing are those frequently purchased by shoppers, g., bread, eggs, milk, etc.

Strategy to charge a high price initially

Gradually reduce it if necessary

Policy is a form of price discrimination over time

To be effective several conditions are to be considered

4. **Price Bundling** Here, the retailer bundles a few products together and offers them at a particular price. For example, a company may sell a PC at a fixed price and the package may include a printer and a web camera. Another example is that of the Value Meal offered by McDonald's. Price bundling may increase the sales of related items.

5. **Multi-unit Pricing** In multi-unit pricing, the retails offers discounts to customers who buy in large quantities or who buy a product bundle. This involves value pricing for more than one of the same item. For example, a retailer may offer one T-shirt for Rs 255.99 and two T- shirts for Rs 355.99. Multi-unit pricing usually helps move products that are slow moving.

6. **Discount pricing** It is used as a strategy by outlet stores who offer merchandise at the lowest market prices.

7. **Every Day Low Pricing** Every Day Low Pricing or EDLP as it is popularly known, is a strategy adopted by retailers who continually price their products lower than the other retailers in the area. Two famous examples of EDLP are Wal- Mart and Toys "R" Us, who regularly follow this strategy.

8. **Odd Pricing** Retail prices are set in such a manner that the prices end in odd numbers, such as Rs 99.99 or Rs 199, Rs 299,etc.

Critical issues in pricing the services

a. Matching supply & demand

Yield management: The practice of adjusting prices up or down in response to demand to control the sales generated

Differential pricing to balance the load

Pricing the service elements within the bouquet differently (e.g.: appetizers vs. desserts)

b. Determining service quality

Customers are likely to use price as an indicator of both service costs and service quality. This can depend on several factors:

Other information available to the customer

When service cues to quality are readily accessible

When brand names provide evidence of a company's reputation

When the level of advertising communicates the company's belief in the brand

ADJUSTMENTS TO RETAIL PRICE

Many a times, retail prices need to be adjusted to meet the conditions prevailing in the market. Adjustments to retail prices can be done by way of markdowns or by way of promotions.

1. **Markdowns** are a permanent reduction in the price and this step may be taken as a result of slow selling of the product or as a part of a systematic strategy. Markdowns are usually done after a determined number of weeks in order to maintain a desired rate of sales. Timely markdowns help improve the profitability, increase the turnover and increase the profit. Markdowns may be necessitated due to wrong forecasting, overbuying, faulty selling practices or simply because the product is shop soiled or the odds and ends of a range are left at the end of a season.

   The mark down percentage is calculated as follows:

   Total mark down / total sales X 100

- Clearance Markdowns to get rid of slow-moving, obsolete merchandise.
- Promotional Markdowns
  - To increase sales and promote merchandise
  - To Increase traffic flow and sale of complementary products generate excitement through a sale

  To generate cash to buy additional merchandise

2. **Promotions** on the other hand, are a temporary reduction in the price, used to generate additional sales during peak selling periods. Prices may be reduced by a percentage (25 percent off) or to a lower sale price (Rs. 99). High volume items, with a substantial initial markup, are usually selected for promotions. Promotions may also include coupons, which may reduce the retail price by an amount or a percentage. With retail coupons, the retailer absorbs the reductions in the price.

A Comparison of Mark ups and Markdowns

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

Mark up = (price-Cost)/CostX100

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

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

Mark down = (price-Cost)/PriceX100

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

Retail price & markup

Markup is the difference between retail price (selling price or MRP) and the cost of an item.

It may be expressed in monetary units (Rs/dollars) or in terms of percentage.

Retail price = Cost of merchandise + markup

Markup %age is shown as:

Retail price – Cost of merchandise

<u>Optimizing Markdown Decisions</u>

Traditional Approach- Use a set of arbitrary rules

- Sell-Through: Identifies markdown items when its weekly sell-through percentages fall below a certain level

- Rule-based: Cuts prices on the basis of how long the merchandise has been in the store

Markdown Optimization

    - Software is used to determine when and how much markdowns should be taken to produce the best results by continually updating pricing forecasts on the basis of actual sales and factoring in differences in price sensitivities

Liquidating Markdown Merchandise

- Sell the merchandise to another retailer
- Consolidate the unsold merchandise
- Place merchandise on Internet auction site
- Donate merchandise to charity
- Carry the merchandise over to the next season

Variable Pricing and Price Discrimination

Retailers use a variety of techniques to maximize profits by charging different prices to different customers

a. Individualized Variable Pricing (First Degree of Price Discrimination) – Set unique price for each customer equal to customer's willingness to pay

   Ex: Auctions, Personalized Internet Prices

b. Self-Selected Variable Pricing (Second Degree of Price Discrimination) – Offer the same price schedule to all customers

   Ex: Quantity discounts, Early Bird Special, Over Weekend Travel Discount

c. Clearance Markdowns for Fashion Merchandise Ex: Coupons

d. Price Bundling Ex: McDonald's Value Meal

e. Multiple-Unit Pricing or Quantity Discount

f. Variable Pricing by Market Segments (Third Degree of Price Discrimination) – Charge different groups different prices

   a. Seniors Discounts

   b. Kids Menu

g. Zone Pricing (Third Degree of Price Discrimination) – Charge different prices in different stores, markets, regions

Solution to Problems in Implementing Price DiscriminationLegal and Ethical Pricing Issues

- Set prices based on customer characteristics related to willingness to pay
- Fashion sensitive customers will pay more so charge higher prices when fashion first introduced – reduce price later in season
- Price sensitive customers will expend effort to get lower prices – coupons
- Elderly customers eat earlier and are more price sensitive so offer early bird specials

I Predatory pricing:

It is the scenario in which the dominant retailer sets prices below its costs to the drive competition out of business.

II Resale price maintenance:

Situation in which the vendor encourages retailers to sell their merchandise at a specific price, often mentioned as MRP

III Horizontal price fixing:

It involves agreement or understanding between retailers that are in direct competition with each other to set the same prices.

IV Bait & switch tactics:

A deceptive practice that lures customers into a store by advertising a product at a lower-than-normal price (the bait) and once they are in, induces them to purchase a higher-priced model offer (the switch).

Guidelines for Price-ending Decisions

When the price sensitivity of the market is high, it is advantageous to raise or lower prices so they end in high numbers like 9.

When the price sensitivity of the market is NOT high, the risk to one's image of using 9 is likely to outweigh the benefits. Even dollar prices and round numbers are appropriate.

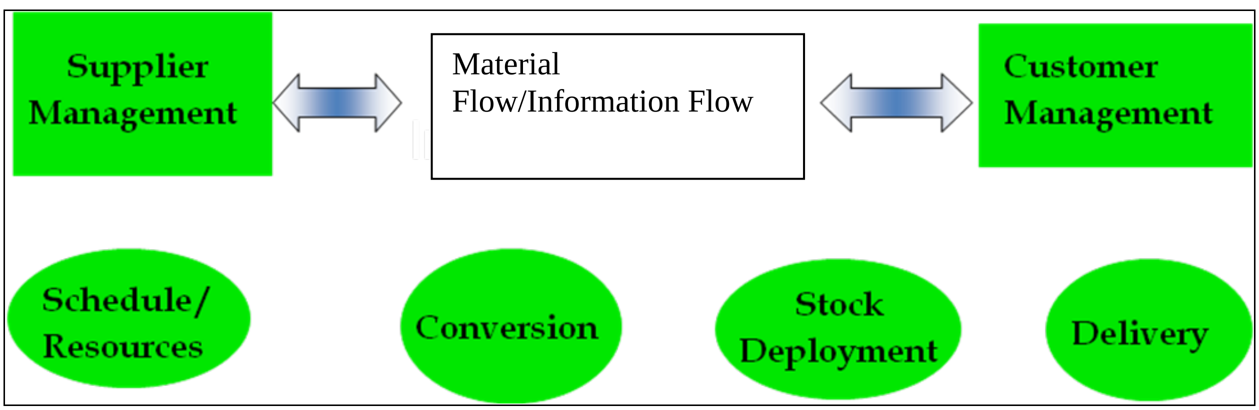
Upscale retailers appeal to price-sensitive segments of the market through periodic discounting. Combination strategy works best: break from standard of using round number endings to use 9 endings when communicating discounts and special offers.

SUPPLY CHAIN MANAGEMENT

- The objective is to build a chain of suppliers that focuses on maximizing value to the ultimate customer
- Value Chain
- Supply side- raw materials, inbound logistics and production processes
- Demand side- outbound logistics, marketing and sales.

WHAT IS SUPPLY CHAIN MANAGEMENT

" Is the strategic management of activities involved in the acquisition and conversion of materials to finished products delivered to the customer.



- Supply chain is the system by which organizations source, make and deliver their products or services according to market demand.
- Supply chain management operations and decisions are ultimately triggered by demand signals at the ultimate consumer level.
- Supply chain as defined by experienced practitioners extends from suppliers' suppliers to customers' customers.
- **Important activities include determining**

- **Transportation vendors**
- **Credit and cash transfers**
- **Suppliers**
- **Distributors**
- **Accounts payable and receivable**
- **Warehousing and inventory**
- **Order fulfillment**
- **Sharing customer, forecasting, and production information**
- MATERIAL FLOWS,INFORMATION FLOWS,FINANCIAL FLOWS,PROCESSES,STRUCTURE,TECHNOLOGY

- Supply chain serves two functions:
  - Physical
  - Market mediation

Supply chain objectives may differ from situation to situation.

- For functional products, cost efficiency is the critical factor.
- For innovative products, responsiveness is the important factor.
- Leanness + Agility together make up Leagility

Supply Chain and Demand Chain

- Demand chain is defined as the system by which organizations manage sales and distribution of products and services to end users.
- Conceptually incorrect to look at demand chain separately
- Look at the pipe as a whole.

- But is there a pipe at all?
    - More a network
    - Not necessarily linear
- Value chain orchestration rather than controlling the flow through the pipe
- A network of independent and interdependent organizations mutually and cooperatively working together to control, manage and improve the flow of materials and information from suppliers to end users.
-

SUPPLY CHAIN DRIVERS

Not new. Value system of Michael Porter

- Why sudden interest?
    - Demanding customers
    - Shrinking product life cycles
    - Proliferating product offerings
    - Growing retailer power in some cases
    - Doctrine of core competency
    - Emergence of specialized logistics providers
    - Globalization
    - Information technology

SUPPLY CHAIN ELEMENTS

I Strategic: long term and dealing with supply chain design

- Determining the number, location and capacity of facilities
- Make or buy decisions

Forming strategic alliances

- *Supply Chain Design*
- *Resource Acquisition*
- *Long Term Planning*

2. Tactical

- *Determining inventory levels*
- *Quality-related decisions*
- *Logistics decisions*
- *Production/ Distribution Planning*
- *Resource Allocation*
- *Medium Term Planning (Qtrly,Monthly)*

3. Operational

- *Production planning and control decisions*
- *Goods and service delivery scheduling*
- *Some make or buy decisions*
- *Shipment Scheduling*
- *Resource Scheduling*
- *Short Term Planning (Weekly,Daily)*

Supply Chain Goals

Efficient supply chain management must result in tangible business improvements. It is characterized by a sharp focus on

- Revenue growth
- Better asset utilization
- Cost reduction.

Supply Chain Management Underlying Principles

- Compression (Planning/Manufacturing/Supply)

– Conformance (Forecasts/Plans/Distribution)

– Co-operation Cross -Functional)

– Communication (Real Time Data)

The Supply Chain's Strategic Importance

Supply chain management is the integration of the activities that procure materials and services, transform them into intermediate goods and final products, and deliver them through a distribution system Competition is no longer between companies; it is between supply chains

Competition is no longer between companies; it is between supply chains

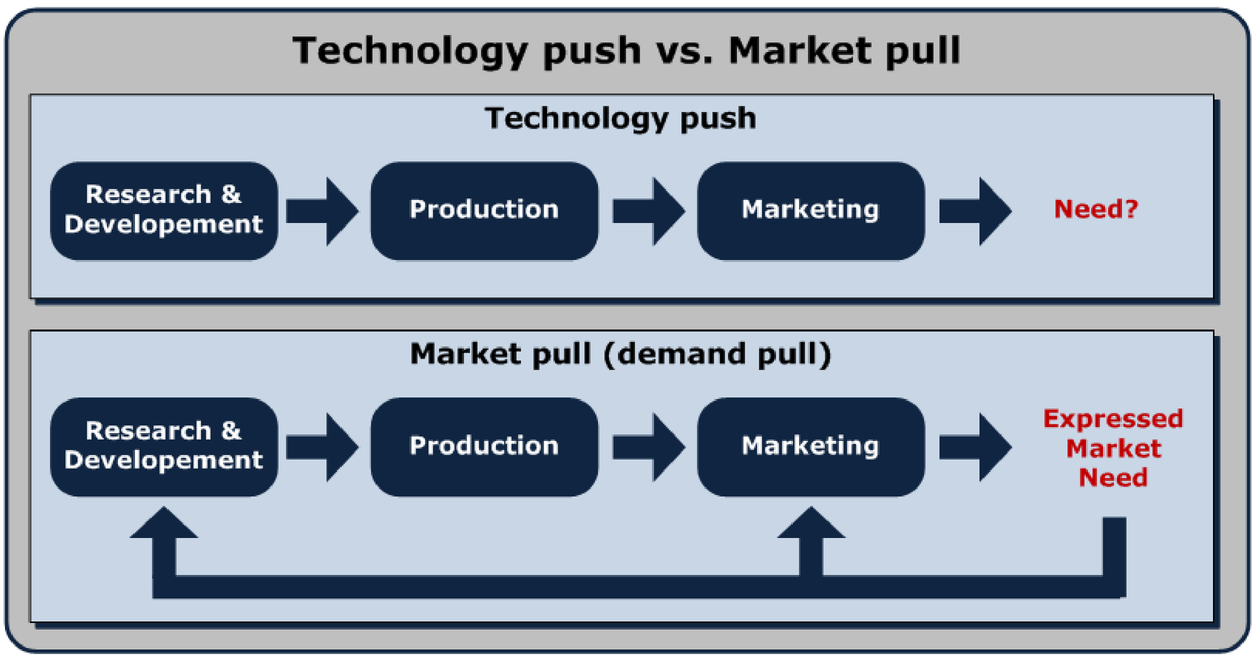
1. Transportation vendors
2. Credit and cash transfers
3. Suppliers
4. Distributors
5. Accounts payable and receivable
6. Warehousing and inventory
7. Order fulfillment
8. Sharing customer, forecasting, and production information

THE VIRTUAL VALUE CHAIN

- The value chain connects a company's supply side with its demand side.
- Traditionally information has been a supporting function.
- Information however can be managed far more creatively.
- There are various stages of using value added information processes.
- Visibility : See physical operations more effectively through information. Information can be used for effective coordination of value chain activities.

- Mirroring capability : In this stage, virtual activities are substituted for physical ones. A parallel value chain is created.
- New customer relationships : The company can draw on the flow of information in the virtual value chain to deliver value to customers in new ways.

Push Vs. Pull strategy:
The business terms **push** and **pull** originated in logistic and supply chain management, but are also widely used in marketing. Wal-Mart is an example of a company that uses the push vs. pull strategy. A push–pull system in business describes the movement of a product or information between two subjects. On markets the consumers usually *"pull"* the goods or information they demand for their needs, while the suppliers *"pushes"* them toward the consumers. In logistic chains or supply chains the stages are operating normally both in push- and pull-manner. Push production is based on forecast demand and pull production is based on actual or consumed demand. The interface between these stages is called the *push–pull boundary* or *decoupling point*.



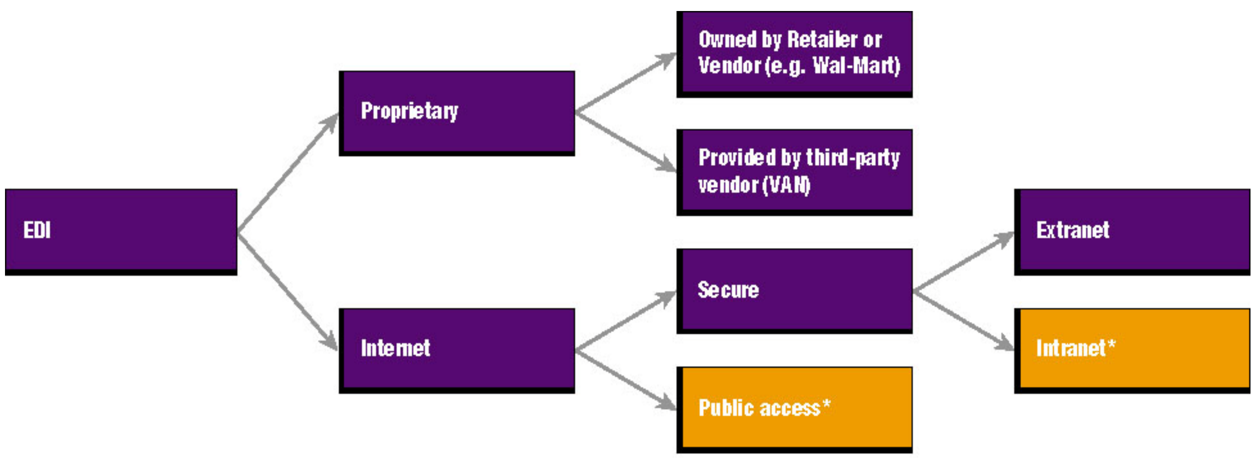
Reverse logistics stands for all operations related to the reuse of products and materials. It is "the process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal.

Universal Product Code: The **Universal Product Code** (**UPC**) is a barcode symbology (i.e., a specific type of barcode) that is widely used in the United States, Canada, the United Kingdom, Australia, New Zealand and in other countries for tracking trade items in stores. Its most common form, the UPC-A, consists of 12 numerical digits, which are uniquely assigned to each trade item.

Information and Merchandise Flows TECHNOLOGY

a. **Bar coding**
b. **Computing**
c. **Databases and data warehouses**
d. **Electronic Data Interchange (EDI): EDI is the computer-to-computer exchange of business documents from retailer to vendor, and back.**

EDI enabled the suppliers to download purchase orders along with store-to-store sales information relating to their products sold. On receiving information about the sales of various products, the suppliers shipped the required goods to distribution centers. (Ex: Wal-Mart's)



*Public access Internet and intranets are typically not used to transmit information between vendors and retailers.

e. **POS Scanning**
f. **Radio frequency identification (RFID)**

What is ASN?

Advanced shipping notice (ASN) is an electronic document received by the retailer's computer from a supplier in advance of a shipment.

What is ASRS?

Automatic Storage and Retrieval Systems (ASRS) ensure that merchandise that is received is stored and drawn from storage automatically. This ensures first-in-first-out selection and reduces "shrink."

Define crossdocking?

In Crossdocking distribution center, merchandise is received from vendors' trucks on one side of the building, moved to the other side of the building, aggregated with merchandise from other vendors, and shipped off to stores all in a matter of hours**.** In this system, the finished goods were directly picked up from the manufacturing plant, sorted out and then directly supplied to the customers.

Define CPFR?

Collaborative planning, forecasting, and replenishment (CPFR) is defined as a business practice for business partners to share forecasts and results data through the **Internet**, in order to reduce inventory costs while at the same time, enhancing product availability across the supply chain.

What is RFID?

Direct Store Delivery (DSD)

Some product manufacturers deliver product to stores, rather than to retailers' warehouses

Examples: Coca-Cola

Advantages: Control of distribution,Setting the shelf

Disadvantage: Cost, Clutter

What is self distribution?

Self distribution is backward integration – it offers the retailer more control!

SELF-DISTRIBUTE IF…

- Demand fluctuates greatly
- Stores require frequent replenishment
- Retailer carries a relatively large number of items in less than full-case quantities

- The retailers has a large number of outlets that aren't geographically concentrated in a metro area

BENEFITS OF SELF DISTRIBUTION

More accurate sales forecasts

Less merchandise in the individual store, thus a lower inventory investment system-wide

Less out-of-stock

More cost effective

THIRD PARTY LOGISTICS COMPANIES

Firms sometimes outsource logistics operations

These firms facilitate the movement of merchandise from manufacturer to retailer, but are independently owned

- Transportation
- Warehousing
- Freight forwarders
- Integrated third-party logistics services

Quick Response (QR)

General merchandise retailers pioneered the "Quick Response" initiative in the 1980s

QR delivery systems are inventory management systems designed to reduce the retailer's lead time for receiving merchandise, thereby lowering inventory, improving customer service levels, and reducing logistics expenses

Pros

Reduces lead time

Increases product availability

Lowers inventory investment

Cons

Smaller orders with greater - more expensive to transport and more difficult to coordinate

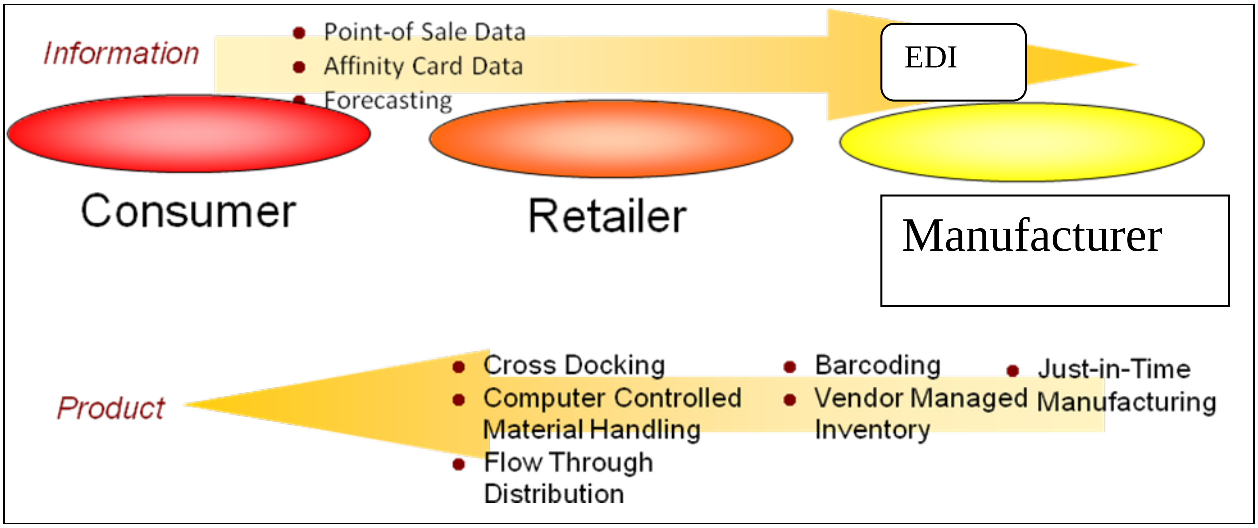
Computer hardware and software must be purchased by both parties

Efficient Consumer Response

In response to the benefits that discount retailers realized from Quick Response, the grocery industry initiated Efficient Consumer Response (ECR) in the 1990s

Tenets of ECR

Efficient Assortment, Efficient Replenishment, Efficient New Product Development, Efficient Promotion



<u>Dealer Management</u>

I Conventional functions

- Inventory ownership and management
- Sales and technical support
- Order handling
- Credit

II The Bullwhip Phenomenon: **stable demand becomes lumpy orders through the supply chain.**

- Volatility amplification along the network
- Increase in demand variability as we move upstream away from the market
- Mainly because of lack of communication and coordination
- Delays in information and material flows

Bullwhip effect occurs because of various reasons:

- Order Batching; Accumulate orders
- Shortage gaming-;Ask for more than what is needed

Vertical Integration

- Developing the ability to produce goods or service previously purchased
- Integration may be forward, towards the customer, or backward, towards suppliers
- Can improve cost, quality, and inventory but requires capital, managerial skills, and demand
- Risky in industries with rapid technological change

Vertical Integration	Examples of Vertical Integration		
Raw material (suppliers)	Iron ore	Silicon	Farming
Backward integration	Steel		
Current transformation	Automobiles	Integrated circuits	Flour milling
Forward integration	Distribution systems	Circuit boards	
Finished goods (customers)	Dealers	Computers Watches Calculators	Baked goods

Measuring Supply-Chain Performance

- Inventory turnover

$$\text{Inventory turnover} = \left(\frac{\text{Cost of goods sold}}{\text{Inventory investment}}\right)$$

Discuss RETAIL SCM in detail.

- Def- SCM in retail is an end to end process in merchandise planning and movement, from planning the inventory (preparing the purchase order) to the point of reaching the merchandise to the customer.
- It is an integrated process where every activity is interlinked with the system for information throughout the cycle time of each step of the process so that timely action can be taken.
- Individual activities of the SCM process-i. e..- warehousing, distribution , transportation both for inbound and outbound movement of merchandise which were handled separately in the past are now carried out in logical sequence fallowing a specific time table i.e. Logistics.
- Managing continuous supply of right products, at right time from different entities is the challenge of managing supply chain.
- Information technology tools has helped retailers in greatly reducing cycle times and attaining efficiency.
- operational and quality management and control initiatives like JIT, TQM, ZI (0-inventory)ECR (efficient consumer response) and VMR (vendor managed inventory) all these fragmented approaches have now been integrated within the domain of SCM process.
- Supply chain is a network of facilities and distribution options that performs the functions of procurement of materials. transformation of these material in to intermediate and finished products and distribution of these products to the customers.

Reduce Costs! Increase Efficiency!

$$\frac{\text{Net profit}}{\text{Total assets}} = \frac{\text{Net profit}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total assets}}$$

- **Objective of SCM** is to ensure reaching right product at right place at right time and for the right price and profit for the retailer.

- Product and information flow from stage of procurement till finished product reaches to store customer feedback of info from store to vendors. Simple supply chain existed in past changes due to expansion of organized retail industry in dynamic, which now links demand management resource management supply management. Demand change as per fast changing consumer buying habits a short life cycles for products and inventory. Cost of holding inventory ay restrict store to provide reasonable prices as funds locked up. in inventory

- Demand change to b handled in SCM-due to 1-short life cycle of products and inventory, 2-cost of holding inventory,3-no of suppliers large in retail and vary as per consumer demand patterns,

- So sourcing, vendor management and logistics big role in for all rights-time, place, and form

- **SCM evolved due to cost** pressures and so optimization with efficiencies in procurement, logistics etc with various models like JIT- inventory management model, TQM – each model oriented to optimization of sub part of system. Integration needed – SCM.

- Quick response-(QR)- share information/data thru scanning, EDI (electronic data interchange), for inventory UPC (universal product code) ,QR information of promotion, discounts, and forecast in supply system and meets required availability, low inventory investments and logistics expenses.

- ECR- (efficient consumer response)- working groups evolved mainly in grocery stores to expedite and quick/accurate flows in store enabled DC and distributors/suppliers, an improvement for edi and pos systems.

- MRP(material requirements planning) real beginning of SCM practice fallowed by JIT in manufacturing and finally SCM evolved.

Integrated supply chain planning-

- Demand mgt resource mgt supply mgt in retail store means mktg team works for sales data, ways to meet targets etc.. merchandise team works for designing matching needs purchase dept work for getting best price for materials.

- Each dept excels with aim but share common approach and info between each dept suppliers & vendors

- Nature of retail influences supply chain and logistics e.g. grocery has 1-short life cycle,-seasonal,perishable,2-high volatility-demand varies vagaries of weather, not stable,3-low predictability-difficult to forecast with accuracy.4-high impulse purchase,

- To handle above uncertainty quality forecast helps but need to focus on lead time reductions.

- shorter **lead time** means low risk due to short horizon of forecast.

- **Three types of lead time-** 1-time to market –period taken from identifying mkt opportunity to translate it in to product /service to bring it to market 2-Time to serve-period between capturing order and deliver it to retail customers satisfaction,3-time to react- between adjusting output to meet volatile demand,

- -time to market-Not to miss out opportunity that may not b repeated, rtc, rte products,

- -time to serve between mfr to retail, may b jit to reduce costs, - time to react

- -time between seeing real demand and replenishments-fashion merchandise.

The lead time gap-

The difference between time of sourcing r.m+ converting it in to product+ movement to mkt i.e. logistic pipeline and customer order cycle

challenge for logistic mgt is to find ways to reduce if not close gap

Many retail co's r agile and r able to capture consumer demands/imaginations and simultaneously achieve twin 1-reducing logistics lead time, 2-capture info timely abt C demand.

Vendor managed Inventory (VMI) –

Vendor undertakes the inventory management of the stores. Also called quick response inventory system (QRIS),thru EDI,ECR systems eliminating paper work , reducing lead time, reducing vendors reordering errors. It increases product availability and low inventory investments. low logistics expenses. QR systems enable direct delivery to store than thru dc thus reducing cost of dc and secondary transport.

VMI partnerships supplier may be mfr, distributor reseller decides abt order quantity, shipping timings etc and monitors buyers inventory

Collaborative planning forecasting and replenishment (CPFR) Aligning forecast of retailer and vendor thus reducing inventory investments and stock outs and increasing opportunities in stock positioning, gross margins and sales.

It is based on managing forecasts and inventory levels by alerting participating org to potential problems.

It is business practice that reduces inventory costs while improving product availability across the supply chain. Process starts with agreement between trading partners to share information and collaborate on planning with ultimate goal of delivering products based on true market demand.

Cross Docking

- A system and a function of warehouse or distribution centre. Vendor ships merchandise to a DC prepacked in quantities required by each store. and then is stored on one side of DC and floor ready merchandise is then transferred to other side of Dc for delivery to store.

Merchandise goes from delivery to shipping/transportation dock so the term cross docking. The DC's r equipped with laser guided conveyors which reads UPC,s of incoming cases and direct them to right truck for delivery to stores. extensively used by wall mart.

Retail logistics-

- Def-It is that part of supply chain process, that plans , implements and controls ,the efficient, effective ,forward and reverse flow and storage of goods , services and related information between the point of origin and the point of consumption in order to meet customers requirements**.**

- Main objective of logistics management is to reduce inventory holding costs and improve profits

Why is supply chain management so important?

- To gain efficiencies from procurement, distribution and logistics
- To make outsourcing more efficient
- To reduce transportation costs of inventories
- To meet competitive pressures from shorter development times, more new products, and demand for more customization
- To meet the challenge of globalization and longer supply chains
- To meet the new challenges from e-commerce
- To manage the complexities of supply chains
- To manage the inventories needed across the supply chain

Why is supply chain management difficult?

- Different organizations in the supply chain may have different, conflicting objectives
    - Manufacturers: long run production, high quality, high productivity, low production cost
    - Distributors: low inventory, reduced transportation costs, quick replenishment capability

    - Customers: shorter order lead time, high in-stock inventory, large variety of products, low prices

- Supply chains are dynamic - they evolve and change over time

Supply chains and vertical integration

- For any organization vertical integration involves either taking on more of the supplier activities (backward) and/or taking on more of the distribution activities (forward)

- An example of backward vertical integration would be a peanut butter manufacturer that decides to start growing peanuts rather than buying peanuts from a supplier

- An example of forward vertical integration would be a peanut butter manufacturer that decides to start marketing their peanut better directly to grocery stores

- In supply chains, some of the supplying and some of the distribution might be performed by the manufacturer

- The significance of vertical integration in the supply chain is that the activities that are performed by the manufacturer are typically more easily managed than those which are performed by other organizations

- Therefore, the degree of vertical integration can have an impact on the structure and relationships between members of a supply chain

Key issues in supply chain management include

I Distribution network configuration

- How many warehouses do we need?

- Where should these warehouses be located?

- What should the production levels be at each of our plants?

- What should the transportation flows be between plants and warehouses?

II Inventory control

- Why are we holding inventory? Uncertainty in customer demand? Uncertainty in the supply process? Some other reason?
- If the problem is uncertainty, how can we reduce it?
- How good is our forecasting method?

III Distribution strategies

- Direct shipping to customers?
- Classical distribution in which inventory is held in warehouses and then shipped as needed?
- Cross-docking in which transshipment points are used to take stock from suppliers’ deliveries and immediately distribute to point of usage?

IV Supply chain integration and strategic partnering

- Should information be shared with supply chain partners?
- What information should be shared?
- With what partners should information be shared?
- What are the benefits to be gained?

V Product design

- Should products be redesigned to reduce logistics costs?
- Should products be redesigned to reduce lead times?
- Would delayed differentiation be helpful?

VI Information technology and decision-support systems

- What data should be shared (transferred)
- How should the data be analyzed and used?
- What infrastructure is needed between supply chain members?

- Should e-commerce play a role?

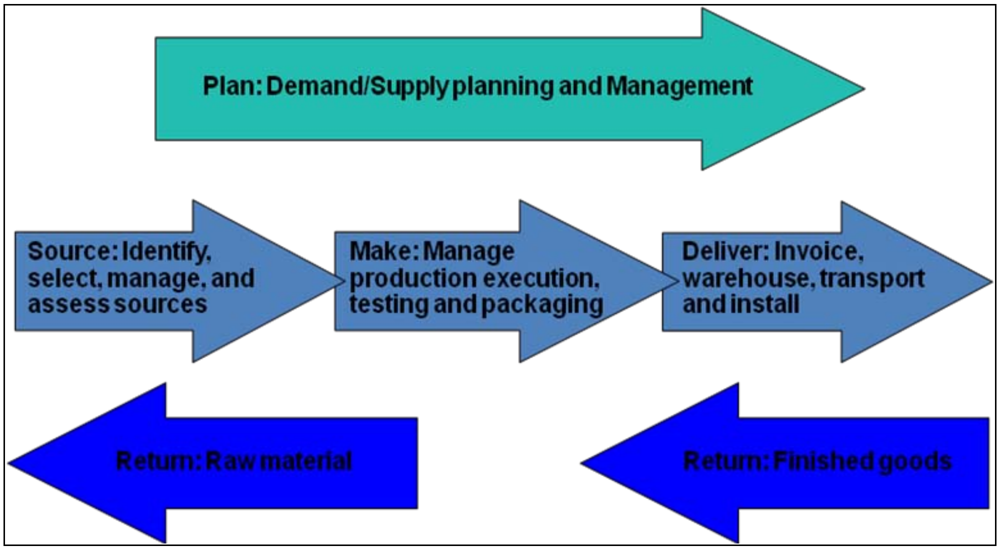
VII Customer value

- How is customer value created by the supply chain?
- What determines customer value? How do we measure it?
- How is information technology used to enhance customer value in the supply chain?

How can you assess how well your supply chain is performing?

- The SCOR model - Supply Chain Operations Reference Model - developed by the Supply Chain Council (http://www.supply-chain.org/) can be used to assess performance.
- SCOR model metrics include:
  - On-time delivery performance
  - Lead time for order fulfillment
  - Fill rate - proportion of demand met from on-hand inventory
  - Supply chain management cost
  - Warranty cost as a percentage of revenue
  - Total inventory days of supply
  - Net asset turns

SCOR MODEL



SERVICE QUALITY MANAGEMENT

CHARACTERISTICS OF SERVICE MARKETING:

1. **INTANGIBLE:** Services are performance or actions rather than objects. They cannot be seen, tasted or touched.

   E.g. Surgery, Examination

2. **HETROGENITY:** Since services are performances produced by human Beings, no two services will be alike. (it differs from hour to hour, day to day) customers are not same

   E.g. Tax accountant may provide different service to two customers

3. **SIMULTANEOUS PRODUCTION AND CONSUMPTION:** Services are sold first and then produced and consumed simultaneously

   E.g. In a restaurant the services are sold first and the dinner experience is produced and consumed at the same time

4. **PERISHABILITY:** Services referred to the fact that it cannot be saved, Stored or returned

   E.g. A seat in an airplane

SERVICE QUALITY

Service quality is the assessment of quality is done during the service delivery processes.

Service Quality:

It is an attitude formed by a long-term overall evaluation of a firm's performance.

Quality:

"The quality of service is the degree of conformance of all the relevant features and characteristics of service to all the aspects of customer needs limited by the price and delivery he/she will accept."

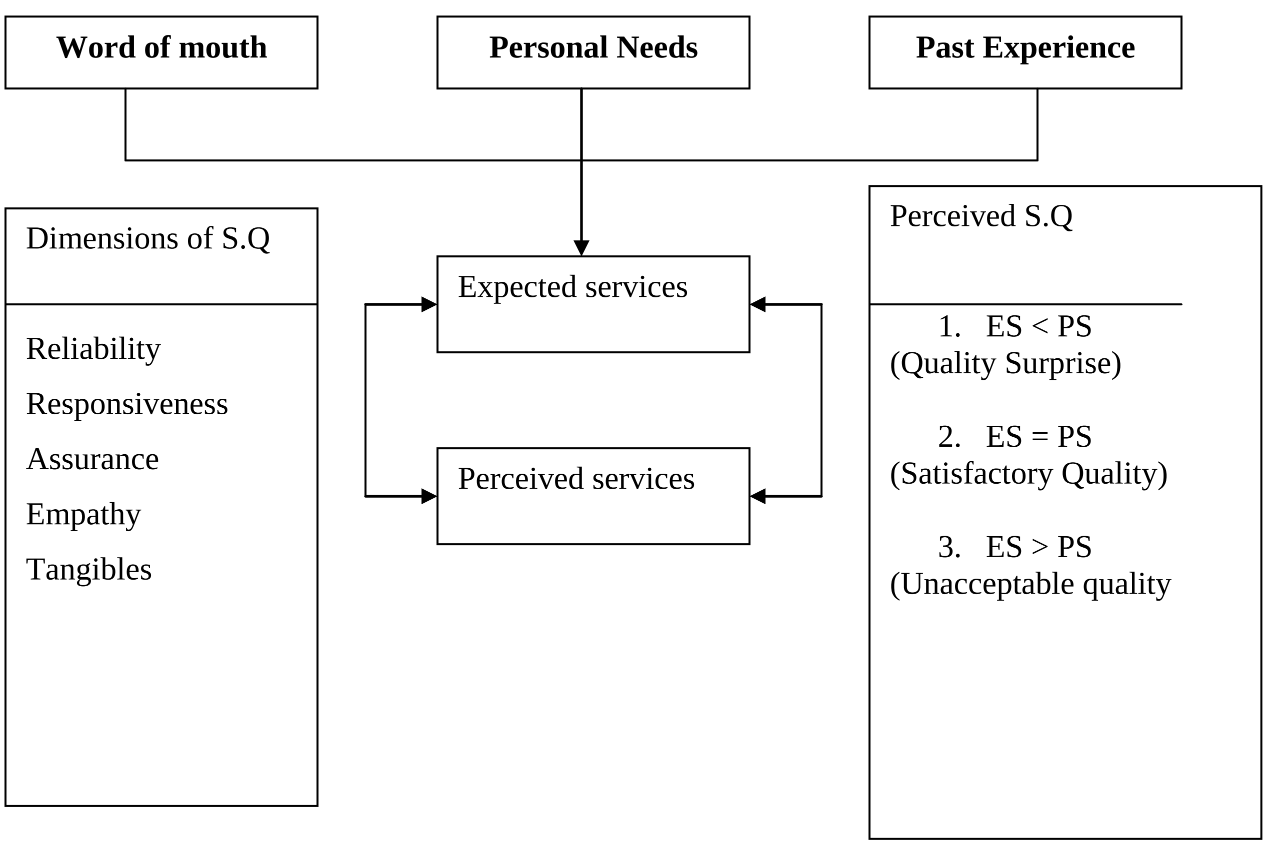
Quality may be judged from the following:

1) Design reflected through the relevant feature and characteristics of service.
2) Satisfaction of customer needs
3) Production and delivery of service

PRINCIPLES OF SERVICE QUALITY:

- S.Q is more difficult for the consumer to evaluate than the quality of goods.
- It is based on consumer perception.
- Service quality perception result from a comparison of what the customer expected prior to the service and the perceived level of service received.

DIMENSIONS OF SERVICE QUALITY



SERVICE QUALITY:

1. **TANGIBLES**: This includes the service provider's physical facilities, their equipments and the appearance of employees.

E.g. park Sheraton, interior design, menu card, staff appearance

2. **RELIABILITY**: It is the ability of the service firm to perform the service promised dependably and accurately.

E.g. catering services

3. **ASSURANCE**: It refers to the knowledge and courtesy of the employees of companies and their ability to inspire trust and confidence in the customer mind.

E.g. BPO service

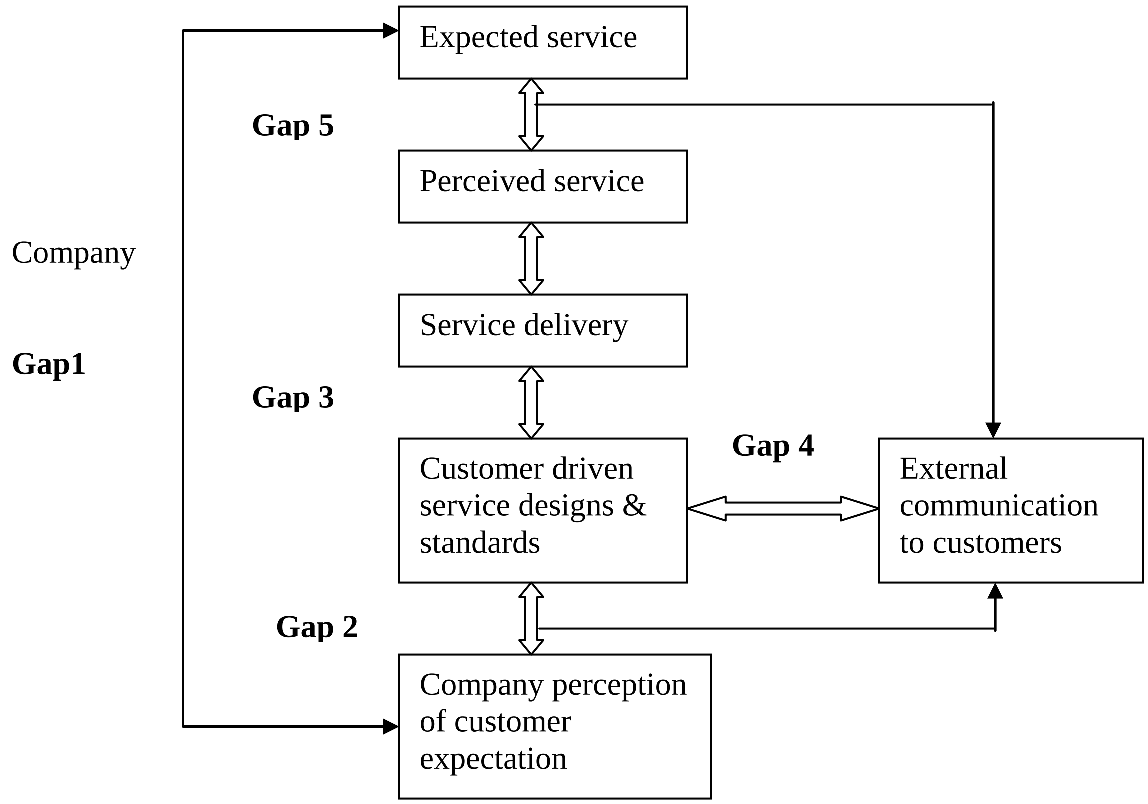
4. **EMPATHY**: It is the caring individualized attention the service firm providers to each customer.

E.g. Medical service

5. **RESPONSIVENESS:** It is the willingness of the firm's staff to help customers and to provide them prompt service.

E.g. Airline service, Enquiry desk

<u>INTERGRATED GAP MODEL</u> Diag1: Gaps model of service quality



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GAP 1: Not knowing what customer expects

2. Not selecting right customer design & standards

3. Not delivering the service standards

4. Not matching performance with promises.

FACTORS LEADING PROVIDER GAP 1:

Co. perception of customer expectation

a) Inadequate Marketing Research Orientation

- Insufficient marketing research
- Research not focused service quality
- Inadequate use of market research

b) Lack of upward communication:

- Lack of interaction between management and customers

- Insufficient communication between contact employees and managers
- Too many layers between contact personnel and top management

c) Insufficient relationship focus:

- Lack of market segmentation
- Focuses on transaction rather than relationships
- Focuses on new customers rather than existing customers

d) Inadequate service recovery:

STRATEGIES TO REDUCE GAP1:

The emphasis on acquiring new customers should be changed in order to retain the old customers.

GAP 2:

Three factors leading to provider gap 2

Customer driven service design and standards.

a) Poor service design:

- Unsystematic new service development process
- Undefined service design
- Failure to connect service design to service positioning

b) Absence of customer defined standards:

- Absence of process management to focus on customer requirement
- Absence of formal process for getting service quality goals.

c) Inappropriate physical evidence and service scale:

- Management perception of customer expectation

HOW TO REDUCE GAP 2:

1. Design clearly without over simplification, incompleteness and subjectivity.
2. Develop effective strategies for new service and use service ability as an implication tool.
3. Develop customer defined service standards
4. Design physical evidence to meet customer expectation.

PROVIDER GAP 3:

This is the discrepancy between development of customer driven standards and actual service performance by company employees.

REASONS LEADING TO PROVIDER GAP 3:

a) Deficiency in HR policies:

- ★ Ambiguity and role conflicts
- ★ Inappropriate evaluation and compensation system
- ★ Lack of empowerment perceived control and team work

b) Failure to match supply and demand:

- ★ Inappropriate customer mix
- ★ Over lies on price
- ★ Failures to smooth peaks and barriers

c) Customers are not fulfilling:

- ★ Customer's ignorance of responsibilities
- ★ Customers negatively affect each other
- ★ Problems with service intermediaries
- ★ Channel conflict
- ★ Difficulty in controlling quality and consistency
- ★ Tension between empowerment and control

STRATEGIES TO REDUCE GAP 3:

Ensure that all the resources is needed to achieve standards are in place

PROVIDER GAP 4:

This is the difference between service delivery and service provider's external communication

REASONS: service delivery

a) Lack of integrated service marketing communication:

- √ Not including interactive marketing plans
- √ Absence of strong marketing program
- √ Tendency to view each external communication as independent

b) Ineffective management of customer expectation:

- √ Not managing the customer expectation in communication

c) Over promising through advertisements

d) Inadequate horizontal communication:

- √ Differences in policies and procedures across the branches
- √ Insufficient communication between advertising and operation

STRATEGIES TO REDUCE GAP 4:

Improved service delivery through communication

EMERGING TRENDS IN SCM TECHNOLOGY

Radio-frequency identification (**RFID**) is the wireless non-contact use of radio-frequency electromagnetic fields to transfer data, for the purposes of automatically identifying and tracking tags attached to objects. The tags contain electronically stored information. Some tags are powered by and read at short ranges (a few meters) via magnetic fields (electromagnetic induction). Others use a local power source such as a battery, or else have no battery but collect energy from the interrogating EM field, and then act as a passive transponder to emit microwaves or UHF radio waves (i.e., electromagnetic radiation at high frequencies). Battery powered tags may operate at hundreds of meters. Unlike a bar code, the tag does not necessarily need to be within line of sight of the reader, and may be embedded in the tracked object.

Types OF RFID

RFID tags can be either active, semi-passive (semi-active) or passive.

a.Passive

Passive RFID tags have no internal power supply. The minute electrical current induced in the antenna by the incoming radio frequency signal provides just enough power for the CMOS integrated circuit (IC) in the tag to power up and transmit a response. Most passive tags signal by backscattering the carrier signal from the reader. This means that the aerial (antenna) has to be designed to both collect power from the incoming signal and also to transmit the outbound backscatter signal. The response of a passive RFID tag is not just an ID number (GUID): tag chip can contain nonvolatile EEPROM (Electrically Erasable Programmable Read-Only Memory) for storing data. Lack of an onboard power supply means that the device can be quite small: commercially available products exist that can be embedded under the skin. As of 2005, the smallest such devices commercially available measured 0.4 mm × 0.4 mm, and are thinner than a sheet of paper; such devices are practically invisible. Passive tags have practical read distances ranging from about 2 mm (ISO 14443) up to about few metres (ISO 18000-6) depending on the chosen radio frequency. Due to their simplicity in design they are also suitable for manufacture with a printing process for the antennae. A development target are polycarbon semiconductor tags to become entirely printed. Passive RFID tags do not require batteries, and can be much smaller and have an unlimited life span.

b.Semi-Passive

Semi-passive RFID tags are very similar to passive tags except for the addition of a small battery. This battery allows the tag IC to be constantly powered. This removes the need for the aerial to be designed to collect power from the incoming signal. Aerials can therefore be optimised for the backscattering signal. Semi-passive RFID tags are faster in response and therefore stronger in reading ratio compared to passive tags.

c.Active

Active RFID tags or beacons, on the other hand, have their own internal power source which is used to power any ICs and generate the outgoing signal. They may have longer range and larger memories than passive tags, as well as the ability to store additional information sent by the transceiver. To economize power consumption, many beacon concepts operate at fixed intervals. At present, the smallest active tags are about the size of a coin. Many active tags have practical ranges of tens of metres, and a battery life of up to 10 years.

Using the right tag in your application

Because passive tags are cheaper to manufacture and have no battery, the majority of RFID tags in existence are of the passive variety. As of 2005, these tags cost an average of Euro 0.20 ($0.24 USD) at high volumes. Today, as universal RFID tagging of individual products become commercially viable at very large volumes, the lowest cost tags available on the market are as low as 7.2 cents each in volumes of 10 million units or more. Current demand for RFID integrated circuit chips is expected to grow rapidly based on these prices.

Reading ratio close to 100% is a mandatory requirement for successful application. While the cost advantages of passive tags over active tags are significant, other factors including accuracy, performance in certain environments such as around water or metal, and reliability make the use of active tags very common today. The final quality metrics is a probed reading ratio for a representative statistical basic population (fairly 100 plus tags in minimum), this unfortunately never reaches the 100% ratio. Sound system designs with RFID therefore take the deficiencies into account and compare in real-time already known data with just captured data on the basis of fuzzy reasoning.

There are four main frequency bands for RFID tags commonly in use. They are categorized by their radio frequency: low frequency tags (125 or 134.2 kHz), high frequency tags (13.56 MHz), UHF tags (868 to 956 MHz) or 463 MHz, and microwave tags (2.45 GHz or 5.8 GHz). UHF tags can be used globally when specially tailored according to regional regulations; as there are no globally unified regulations for radio frequencies in this ISM band range.

There is a wide variation of transponder devices and contactless chip cards which deliver similar functions.

BENEFITS OF IMPLEMENTING RFID:

Inventory Accuracy in Retail

- 99.9% inventory accuracy
- 60% to 80% reduction in OOS
- 75% to 92% faster counts
- Driving sales improvements
- Enhancing replenishment
- Reducing costs

Loss Prevention - RFID Replacing Traditional EAS Systems

- Improved visibility
- Faster replenishment

- Increased internal control
- Improve consumer experience

Logistics Benefits

- Accuracy of deliveries
- Authenticity checking
- Reducing inspection costs
- Improved loss prevention
- Speed of processing

Customer-Facing Applications

- Increase in average ticket amount
- Improved returns processes
- Interactive communication
- Electronic payment and receipts

PROBLEMS IN IMPLEMENTING RFID

RFID problems can be divided into several categories:

- Technical problems with RFID
- Privacy and ethics problems with RFID

Technical problems with RFID

Problems with RFID Standards

RFID has been implemented in different ways by different manufacturers; global standards are still being worked on. It should be noted that some RFID devices are never meant to leave their network (as in the case of RFID tags used for inventory control within a company). This can cause problems for companies.

Consumers may also have problems with RFID standards. For example, ExxonMobil's SpeedPass system is a proprietary RFID system; if another company wanted to use the convenient SpeedPass (say, at the drive-in window of your favorite fast food restaurant) they would have to pay to access it - an unlikely scenario. On the other hand, if every company had their own "SpeedPass" system, a consumer would need to carry many different devices with them.

RFID systems can be easily disrupted

Since RFID systems make use of the electromagnetic spectrum (like WiFi networks or cellphones), they are relatively easy to jam using energy at the right frequency. Although this would only be an inconvenience for consumers in stores (longer waits at the checkout), it could be disastrous in other environments where RFID is increasingly used, like hospitals or in the military in the field.

Also, active RFID tags (those that use a battery to increase the range of the system) can be repeatedly interrogated to wear the battery down, disrupting the system.

RFID Reader Collision

Reader collision occurs when the signals from two or more readers overlap. The tag is unable to respond to simultaneous queries. Systems must be carefully set up to avoid this problem; many systems use an **anti-collision protocol** (also called a **singulation protocol**. Anti-collision protocols enable the tags to take turns in transmitting to a reader. (Learn more about RFID reader collision.)

RFID Tag Collision

Tag collision occurs when many tags are present in a small area; but since the read time is very fast, it is easier for vendors to develop systems that ensure that tags respond one at a time. (Learn more about RFID tag collision.)

Security, privacy and ethics problems with RFID

The following problems with RFID tags and readers have been reported.

The contents of an RFID tag can be read after the item leaves the supply chain

An RFID tag cannot tell the difference between one reader and another. RFID scanners are very portable; RFID tags can be read from a distance, from a few inches to a few yards. This allows anyone to see the contents of your purse or pocket as you walk down the street. Some tags can be turned off when the item has left the supply chain; see zombie RFID tags.

RFID tags are difficult to remove

RFID tags are difficult to for consumers to remove; some are very small (less than a half-millimeter square, and as thin as a sheet of paper) - others may be hidden or embedded inside a product where consumers cannot see them. New technologies allow RFID tags to be "printed" right on a product and may not be removable at all (see Printing RFID Tags With Magic Ink).

RFID tags can be read without your knowledge

Since the tags can be read without being swiped or obviously scanned (as is the case with magnetic strips or barcodes), anyone with an RFID tag reader can read the tags embedded in your clothes and other consumer products without your knowledge. For example, you could be scanned *before* you enter the store, just to see what you are carrying. You might then be approached by a clerk who knows what you have in your backpack or purse, and can suggest accessories or other items.

RFID tags can be read a greater distances with a high-gain antenna

For various reasons, RFID reader/tag systems are designed so that distance between the tag and the reader is kept to a minimum (see the material on tag collision above). However, a high-gain antenna can be used to read the tags from much further away, leading to privacy problems.

RFID tags with unique serial numbers could be linked to an individual credit card number

At present, the Universal Product Code (UPC) implemented with barcodes allows each product sold in a store to have a unique number that identifies that product. Work is proceeding on a global system of product identification that would allow *each individual item* to have its own number. When the item is scanned for purchase and is paid for, the RFID tag number for a particular item can be associated with a credit card number.

CPFR:

Collaborative Planning, Forecasting and Replenishment (**CPFR**, a trademark of the Voluntary Interindustry Commerce Standards) (VICS) Association), is a concept that aims to enhance supply chain integration by supporting and assisting joint practices. CPFR seeks cooperative management of inventory through joint visibility and replenishment of products throughout the supply chain. Information shared between suppliers and retailers aids in planning and satisfying customer demands through a supportive system of shared information. This allows for continuous updating of inventory and upcoming requirements, making the end-to-end supply chain process more efficient. Efficiency is created through the decrease expenditures for merchandising, inventory, logistics, and transportation across all trading partners.

CPFR originally was presented by VICS in their VICS CPFR Guidelines in 1998 as a 9 step (or data flow) process, starting with the collaborating businesses developing the agreement for collaboration.The 9 steps were:

1. Develop Front End Agreement
2. Create the Joint Business Plan
3. Create the Sales Forecast
4. Identify Exceptions for Sales Forecast
5. Resolve/Collaborate on Exception Items
6. Create Order Forecast
7. Identify Exceptions for Order Forecast
8. Resolve/Collaborate on Exception Items
9. Order Generation

The CPFR model presents the aspects in which industries focus. The model provides a basic framework for the flow of information, goods, and services. In the retail industry the “retailer typically fills the buyer role, a manufacturer fills the seller role, and the consumer is the end customer.” The center of the model is represented as the consumer, followed by the middle ring of the retailer, and finally the outside ring being the manufacturer. Each ring of the model represents different functions within the CPFR model. The consumer drives demand for goods and services while the retailer is the provider of goods and services. The manufacturer supplies the retailer stores with product as demand for product is pulled through the supply chain by the end user, being the consumer.

“**Strategy & Planning**, Collaboration Arrangement is the process of setting the business goals for the relationship, defining the scope of collaboration and assigning roles, responsibilities, checkpoints and escalation procedures. The Joint Business Plan then identifies the significant events that affect supply and demand in the planning period, such as promotions, inventory policy changes, store openings/closings, and product introductions.”

“**Demand & Supply Management** is broken into Sales Forecasting, which projects consumer demand at the point of sale, and Order Planning/Forecasting, which determines future product ordering and delivery requirements based upon the sales forecast, inventory positions, transit lead times, and other factors.”

“Execution consists of Order Generation, which transitions forecasts to firm demand, and Order Fulfillment, the process of producing, shipping, delivering, and stocking products for consumer purchase.”

“**Analysis** tasks include Exception Management, the active monitoring of planning and operations for out-of-bounds conditions, and Performance Assessment, the calculation of key metrics to evaluate the achievement of business goals, uncover trends or develop alternative strategies”.

3. GIS:

A **geographic information system** (**GIS**) is a system designed to capture, store, manipulate, analyze, manage, and present all types of geographical data. The acronym *GIS* is sometimes used for **geographical information science** or **geospatial information studies** to refer to the academic discipline or career of working with geographic information systems and is a large domain within the broader academic discipline of Geoinformatics.[1] In the simplest terms, GIS is the merging of cartography, statistical analysis, and computer science technology.

In emerging technology paradigm, “Geographical Information System (GIS)” has emerged as powerful tool which has potential to organize complex spatial environment with tabular relationships. The emphasis is on developing digital spatial database, using the data sets derived from precise navigation and imaging satellites, aircrafts, digitization of maps and transactional databases. The power and potential of GIS is limited only by ones imagination.

However to exploit the technology to benefit the planning process there is need to initiate a process for integration of data, based on Interoperable open standards, specifications & formats. The enormous demand for the storage, analysis and display of complex and voluminous data has led, in recentyears, to the use of Geographic Information Systems for effective data handling and also for analyzing and geographically transferring the information around the world. NIC offers its users, GISNIC, a software designed to provide a complete state-of-the-art desktop GIs solution for retrieval, projection, transformation and analysis of both spatial and non-spatial data, so that the User is able to manipulate and manage coordinate(locational) and attribute(thematic) data and produce thematic maps as well as tabular reports.

Challenges in implementing SCM in retail sector

Companies increasingly are becoming aware that their opportunity to having a competitive edge in business can come through supply chain. In the case of companies operating on global scale, supply chain strategies drive operational efficiencies and affect the bottom line. Unlike technology or other core areas affecting business, Supply chain is always in a dynamic mode. Project managers who head supply chain projects are often faced with lot of challenges and issues to over come all through the project. In this topic we air to discuss a few practical problems and road blocks faced in implementing and operations of Global supply chain projects.

Project Scale & Span of Control

Often projects are rolled out on global scale involving multiple countries and locations with all sites scheduled to go live around same timelines. The Project managers and sponsors would be located in one country and physically it becomes impossible for project managers to keep running to all locations and be available to concentrate on all sites. Yes project teams are formed at regional country level. However if the project planning, design and control lies with one office or a single person or a team, the rest of the project teams would become enablers and implementers resulting in the dilution of energy and focus. The core project team resources cannot spread themselves thin to attend to all sites and hence the biggest or the most important locations get attention while the others suffer due to lack of focus.

Supply chain projects involve technology implementation including infrastructure and software. They also involve multiple logistical modules involving transportation, international freight and warehousing etc.

Span of control over project implementation is very important in case of logistics projects involving multiple channels and external and internal agencies. Project managers at best can concentrate on rolling out the project in one country depending upon the number of sites and the logistical components involved.

If the project involves setting up a distribution center or warehouse, all the more reasons that the roll out should be limited to country level.

Technology

Adoption of right technology and implementation often faces roadblocks in implementing global supply chain projects. Projects roll out common processes to be followed across all countries and locations and involve use of technology to drive the processes.

Many issues concerning technology are faced in a project:

- ***Technology solutions***

  Most multi national companies find that their supply chain operations across the world are managed not on one application or a set of applications, but each location and country would have implemented either legacy systems or stand alone systems to manage individual local logistics activities. Once implemented, it becomes difficult to isolate such applications and shift them to one common platform without which common processes and standardization cannot be driven across locations.

Secondly any software solution would require to be customized to suit local site and country requirements. One solution does not fit all. While the solution may work in one country with bigger volumes and size of supply chain network and warehouses, the same software may not be suitable to be implemented in a small country with one location.

Cost of Technology Absorption then becomes an issue. When a project proposes to introduce a system across all countries in the supply chain network to bring about seamless integration and common processes, it fails to account for the cost of technology and capability of all countries and locations to absorb the cost. The costs of IT implementation are exorbitant. A bigger site and country may be able to pay for the IT cost but if the same cost is expected to be paid out of another country which has lesser volumes, it may not be able to absorb the cost, unless the global project management is able to absorb the costs into the project cost or get corporate management to absorb the cost and take it off from the user country's budget.

- ***Cost of Technology absorption***

Implementation of technology calls for the IT teams to travel to all locations, implement the setup. Train the people and stabilize the sites post Go Live. The cost of implementation can run high. Again all countries may not be able to bear the cost of such implementation.

- ***Availability of technology infrastructure***

Technology infrastructure availability is different amongst countries and within the country. Internet connectivity and bandwidth may not be the same cross all locations which can hinder implementation of an internet based technology application. Normally if the project is driven at a global level, the local infrastructure issues of many countries do not figure while considering the suitability of IT platform for implementation.

- ***Internal & External resource capability***

  Supply chain projects involve multiple locations and cross functional departments and teams within the organization. Besides they also include multiple external agencies who manage the logistics.

  Driving projects through various country managements requires enormous internal selling to be done. The projects also call for external selling with the service providers. Local country managements as well as the service provider country managements may or may not have the same interest and commitment to the project as much as the global project leadership would have. These are soft challenges faced by Project Managers, to be able to sell the idea and get commitment from all stake holders.

  The availability of quality resources both internally and externally in all locations is critical to the implementation of the project and is often a challenge which can hold up implementations and training.

POSITIONING OF RETAIL SHOPS

- Retail Positioning: Where a store situates itself in the consumer market. Done by:

I Product: Buying Motives:

  - Reasons why people buy what they buy (what motivates them)
  - Product Motives: based on qualities or images of certain products
  - Patronage Motives: buy from certain stores

- Direct Competition: between 2 or more retailers using the same type of business format. (ex: GAP, Express)
- Indirect Competition: between 2 or more retailers using different types of business formats to sell the same type of merchandise. (ex: Dept store/grocery store both sell pantyhose)
- Vertical Competition: between businesses at different levels of the supply chain. (ex: company that sells to stores and also has a factory outlet store)

- Lifestyle Competition: Rivalry between businesses for consumers' pastimes and spending money

II Price: Prestige Pricing: Setting high prices on items to attract customers who want quality and status.
Price Promoting: Advertising special price reductions to bring in shoppers. Can build traffic to buy other items as well.

III Place

- Ambiance: Atmosphere, how a store pleases customers' senses.
- Assortment: range of stock or total selection a retailer carries.
- Assortment Breadth (width): refers to the number of different item categories or classifications offered by a store.
- Assortment Depth: indicates the quantity of each item available in the assortment of goods offered.Site Location: Prime location is important to attracting the right customers.

Types of store clusters:

- Central Business Districts: In cities or towns, stores and offices
- Neighborhood Shopping Centers: 5-15 stores
- Community Shopping Centers: 25-50 stores, with 1 primary store
- Regional Shopping Centers: Malls. Draw customers from at least a 10 mile radius.
- Super-Regional Centers: Largest malls. 6-8 Anchor stores, 150 specialty stores, eateries.

Market Coverage: The amount of concentration a retailer has in a customer area, such as intensive, selective, or exclusive

III Promotion

- Facilities Design: Store design to create a strong visual identity with the right ambiance for the target market.
- Store Exterior: Often creates a customer's first impression.
- Store Interior: Includes selling areas and sales support areas. Should be functional and welcoming for customers.

Examples: Some stores are positioned with the lowest possible prices and least amount of service. Others are positioned for the best values for fashion forward career apparel.

Target Marketing: Defining the specialized niche of the market to whom the company wishes to make the greatest appeal.

Retailers do this by:

- Merchandise Policies: guidelines the company follows to keep inventory choices on track.
- Operational Policies: designed to make customers feel good about shopping at the store.

Policies on Positioning

- Merchandising Policies: Specific guidelines established by management for the company to follow to keep inventory choices on track.
- Operational Policies: Specific guidelines, established by management, to make the store appealing for the target market through physical appearance and customer services.

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UNIT IV RETAIL SHOP MANAGEMENT 9

Visual Merchandise Management – Space Management – Retail Inventory Management – Retail accounting and audits - Retail store brands – Retail advertising and promotions – Retail Management Information Systems - Online retail – Emerging trends .

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.

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 it 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.

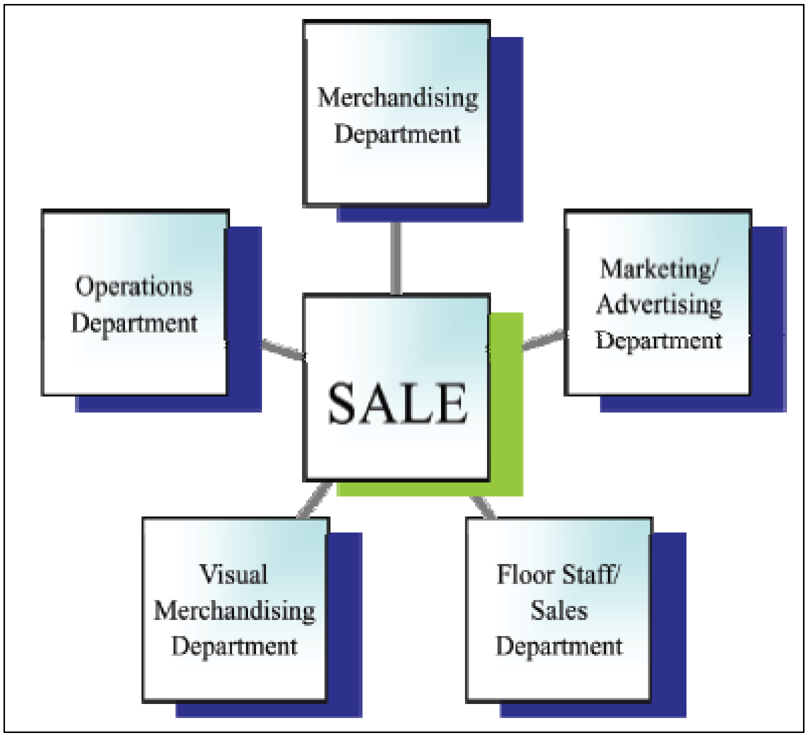
F. **Use it to fulfill the stores objectives**: It is important to understand the power of visual merchandising. You can use it to your advantage in achieving the store's objectives. For example, if your objective is just to get more footfalls other than coveting sales, make use of displays. Put up eye 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.

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

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.

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?

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:

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 **retail**er business involved in selling goods or services directly to final consumers for their personal, non-business use is called Retail Store Brand.

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

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 concentrated.

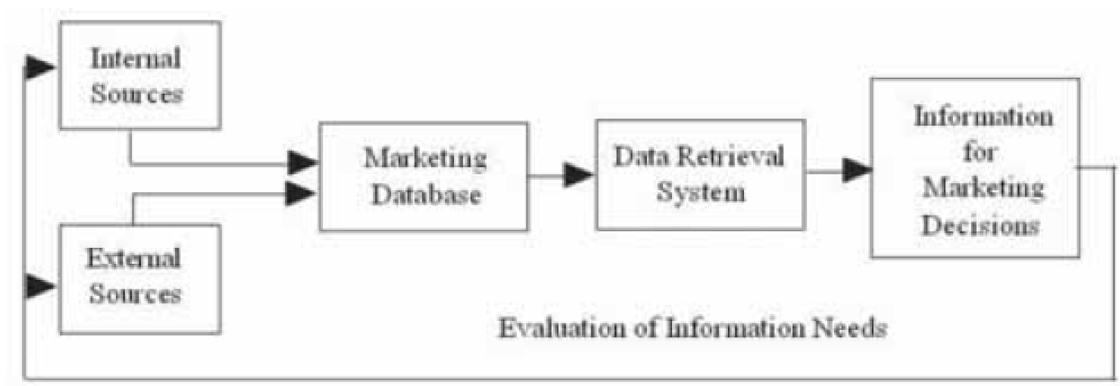
Integrated Systems and Networking

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

Figure 12.1: Elements of MIS



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

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.

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

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

UNIT V RETAIL SHOPPER BEHAVIOUR 9

Understanding of Retail shopper behavior – Shopper Profile Analysis – Shopping Decision Process - Factors influencing retail shopper behavior – Complaints Management - Retail sales force Management – Challenges in Retailing in India.

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
It helps to ascertain the sales personnel‘s efficiency at the point of sale or to find out the average time taken on a normal day or during the weekend. Retail Process Audit: Such retail process audit helps to examine a store‘ efficiencies in terms of operating process or reduce the cycle time.

For instance with the help of retail process audit, the retailer can work out ways to improve customer service delivery and to improve performance. Retail Store Audit: While visiting the store, the retail auditor will collect observable information such as the shelf prices, display space, the presence of special display and in store promotion activities. The retailers can use retail store audit results to project and arrive at nationwide and regional estimate of total sales, inventories etc.

Nielson Retail Index: It Covers 4 major groups (grocery product, drug, merchandise and alcoholic Beverages) It usually includes the following variable: sales on the basis of retail rupees, Distribution in terms of % of all stores Selling prices, retailer support in terms of shelf spacing, special displays, in store advertising. Consumer Purchase Panel Audit: It helps to understand how much product is moving through the distribution channel. Two methods for collecting this data: 1. Home audit approach: panel member aggress to permit an auditor to check the household stock of certain product categories at regular intervals 2. Mail Dairy Method: the panel member records details of every purchase made in certain categories and return the completed dairy by mail at regular intervals.

Examples of a few Research studies in India: 1. The A.C Nielson Shopper Trends 2. Consumer outlook 2004- study conducted by KSA Technopak has revealed that personal credit off take has increased from about 50000 crore in 2000 to about Rs. 1, 60,000 in 2003. 3. KSA Technopak Intimate Apparel Retail study- to explore the intimate apparel retail scenario in India 4. The BT – Indica Research Index of Consumer Sentiments (BT-IRICS) used by marketers to measure consumer confidence. Indian Retail Prognosis- ICICI Bank Research study compilation: ICICI based on retail banking experience gives data on the Indian consumer behaviour towards retail banking.

Ethics in Retailing: Ethics is a set of rules for human moral behavior. For retailers they can have explicit code of ethics or implicit code of ethics. Explicit code of ethics: Written policy that specifies what is ethical and unethical behavior. Implicit: Unwritten but well understood set of rules/standards of moral responsibilities. Ethical situations in retailing Should a retailer sell merchandise that was made using child labour? Should a retail buyer accept an expensive gift from vendor? Should a retailer treat some customers better than others? Should a retailer give preferences to minorities when making promotion decision?

Ethical and legal issues: 1. Consumer Fraud: The defrauding of a consumer of various products and services which do not perform as advertised, or overcharging or levying hidden charges through deceptive business practices. Agencies for Protection of Consumer Fraud - Indian Association Of Consumers (IAC) Consumer Forum (CF) Consumer Education Society (CES), Karnataka Consumer Services Society (KCSS) 2. Supplier Labour Practices: Legally prohibited action by an employer or TRADE union such as refusal to bargain in good faith. Case of unfair labour practices Apple‘s supplier labour practices in china scrutinized after Foxconn, Pegaton reviews 3. Retail Theft: It is also called as Shop Lifting Shoplifting (also known as boosting, five finger discount, or shrinkage within the retail industry) is theft of goods from a retail establishment. It is one of the most common crimes. There are people and groups who make their living from shoplifting, who tend to be more skilled. Generally, criminal theft involves taking possession of property illegally.

4. Slotting Allowances: A fee paid by a manufacturer to a retailer to provide shelf space or a slot for a new product. Is a fee charged to produce companies or manufacturers by supermarket distributors (retailers) in order to have their product placed on their shelves? The fee varies greatly depending on the product, manufacturer, and market conditions 5. Use of Customer Information: The consumer information contained here is intended, in part, to alert the reader to pertinent issues regarding this site. The information contained herein is not intended as a substitute for professional consultation. Social responsibility: Social responsibility is an ethical framework which suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large. Social responsibility is a duty every individual has to perform so as to maintain a balance between the economy and the ecosystems. A trade-off may exist between economic development, in the material sense, and the welfare of the society and environment. Social responsibility means sustaining the equilibrium between the two. It pertains not only to business organizations but also to everyone who's any action impacts the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals. Consumerism: Definition- the "social movement seeking to augment the rights and power of buyers in relation to sellers," (Kotler, 1972) • 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.

JEPPIAAR ENGINEERING COLLEGE

Jeppiaar Nagar, Rajiv Gandhi Salai, Chennai – 119.
(ISO 9001:2008 & NBA Accredited Institution)
DEPARTMENT OF MANAGEMENT STUDIES
III SEMESTER
BA5005- RETAIL MARKETING
REGULATION 2017
PART – A

UNIT -1

1. What is Retailing?

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

2. What are the characteristics of retailer?

- He is regarded as the last link in the chain of distribution.
- He purchases goods in large quantities from the wholesaler and sell in small

quantity to the consumer.

- He deals in general products or a variety of merchandise.
- He develops personal contact with the consumer.
- He aims at providing maximum satisfaction to the consumer.
- He has a limited sphere in the market.

3. What are the functions of retailers?

Retailers perform a number of functions. These are:

- The retailer buys a variety of products from the wholesaler or a number of wholesalers.

He thus performs two functions like buying of goods and assembling of goods.

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

4. List the examples of retailing industry.

Examples

Department Stores

Discount Stores

Clothing Stores

Specialty retailers

Convenience Stores

Grocery Stores

5. What is Retail marketing environment?

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

6. What is Micro retail environment?

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

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

goods to final buyers.

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

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

7. What is Macro retail environment?

1. Demographic

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

2.Political and legal

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

3. Social and cultural environment.

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

4. Economic environment

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

8. Who is a retailer?

A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing. A retailer may be defined, as a ‘dealer or trader who sells goods in small quantities’.

9. Define retailer.

According to Philip Kotler “retailing includes all the activities involved in selling goods or Services directly to final consumers for personal, Non business use”.

10. Why retailing is important?

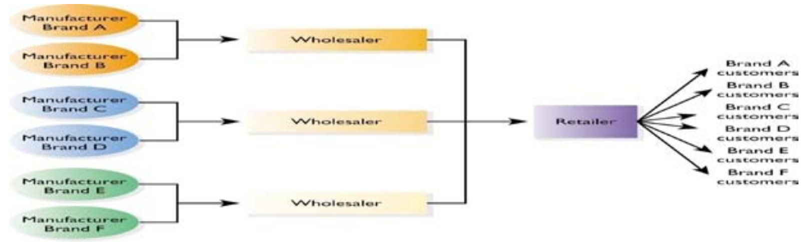
The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an Important connecting link in a complex mechanism of marketing. Though producers may sell directly to consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist in the line. Therefore, frequently the manufacturers depend on the retailers to sell their products to the ultimate consumers. The retailer, who is able to provide appropriate amenities without an excessive advance in prices of goods is rewarded by larger or more loyal patronage.

11. List the role of Retailer in sorting process.

- Consumer spend their money at Retail which drives the economy. Retailers realize Revenue when Consumers buy products or Services from them.
- The revenue passes up the Consumer Goods distribution chain viz. to Wholesalers, Distributors and Manufacturers.
- Retail Industry employs 17-20% Workforce that drives the Economy.
- Retail trends often mirror trends in a nation’s overall economy.
- Retailers add value by Providing the Right Product at The Right Place at the Right Time.

ENVIRONMENT

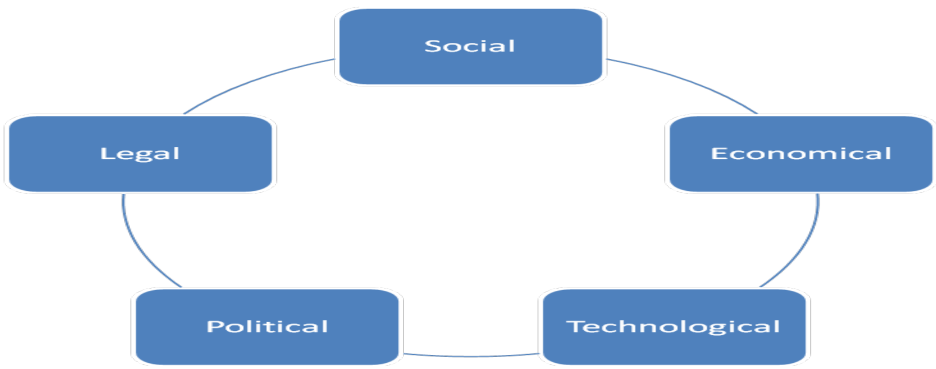
- Retailing is a Dynamic field with very Competitive Environment.
- Retailers act as Filters – Strong lobby for success or otherwise of a Product or Services.
- Companies create Retailer Value and Consumer Differential Advantage to improve success rate of their Brands.



12. List the functions of Retailing

- Sorting
- Breaking Bulk
- Holding stock
- Communications
- Assist small suppliers
- Customer service

13. List the factors influencing retail mgt/marketing.



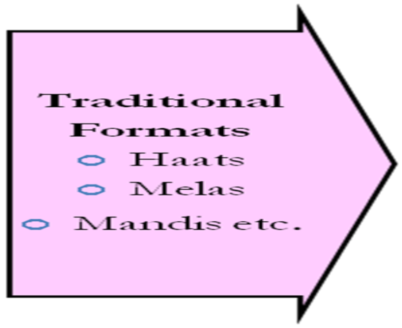
14. What is the trend in retail industry in india?

Indian retail industry is the second largest employer in the country with almost 12million retail stores in India. The Indian retail sector is highly fragmented with more than 90 per cent of its business being carried out by traditional family run small stores. This provides immense opportunity for large scale retailers to set-up their operations – a slew of organized retail formats like departmental stores, hypermarkets, supermarkets and specialty stores are swiftly replacing the traditional formats dramatically altering the retailing landscape in India. India is the third-most attractive retail market for global retailers among the 30 largest emerging markets, according to US consulting group AT Kearney's report published in June 2010.

15. What is the retail market size?

- The total retail sales in India will grow from US$ 395.96 billion in 2011 to US$ 785.12 billion by 2015
- Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment.

16. List the traditional format of retailing.



17. What is established format in retailing?

18. What is emerging formats in retail?

19. List the factors underlying trends of modern retail in India.

- Economic development
- Improvements in civic situation
- Changes in government polices
- Changes in consumer needs, attitudes and behavior
- Increased investment in retailing

- Rise in power of organized retail.

20. List the reasons for the growth of Indian retail industry

- Robust economic growth
- High disposable income with the end-consumer
- Rapid construction of organized retail infrastructure is key factors behind the forecast growth.
- Expansion in middle and upper class consumer base
- Growth potential in India's tier-II and tier-III cities as well.
- The greater availability of personal credit and a growing vehicle population providing improved mobility also contribute to a trend towards annual retail sales growth of 12.2 per cent.

21. List the top 10 major retailers in India.

S.NO.	RETAIL CHAIN	FOUNDED	REVENUES (INR IN MILLION)	NUMBER OF STORES
1.	Future group	1997	32,360	>1085
2.	RPG (Spencer's)	1996	167,160	>900
3.	Tata Group (Trent)	1998	2,985,070	443
4.	ITC	2000	243,600	323
5.	Reliance Retail	2006	1,658,060	>700
6.	Bharti retail	2007	1,50,000	7
7.	Shoppers Stop	1991	1,20,690	137
8.	Landmark	1998	11,940	>112

9.	Videocon	1985	15,000	701
10.	Aditya Birla Retail	2007	1146680	>602

22. What is FDI in Multi Brand Retailing?

- India's multi-brand retail sector, is estimated to be worth $28 billion (Rs 125,000 crore) according to a Boston Consulting Group (BCG) study.
- The government is likely to permit foreign direct investment (FDI) in the multi-brand retail sector from April 2012.
- The government prepared a draft in July 2011, which says 49 per cent FDI in multi-brand retail will be allowed in a phased manner which will be effective from the next financial year i.e. April 2012.
- The Committee of Secretaries (CoS) headed by Cabinet secretary Ajit Kumar Seth met on July 22 to finalise the blueprint of the proposal for political clearance. One of the major outcome of the discussion is raising 49% to 51%.

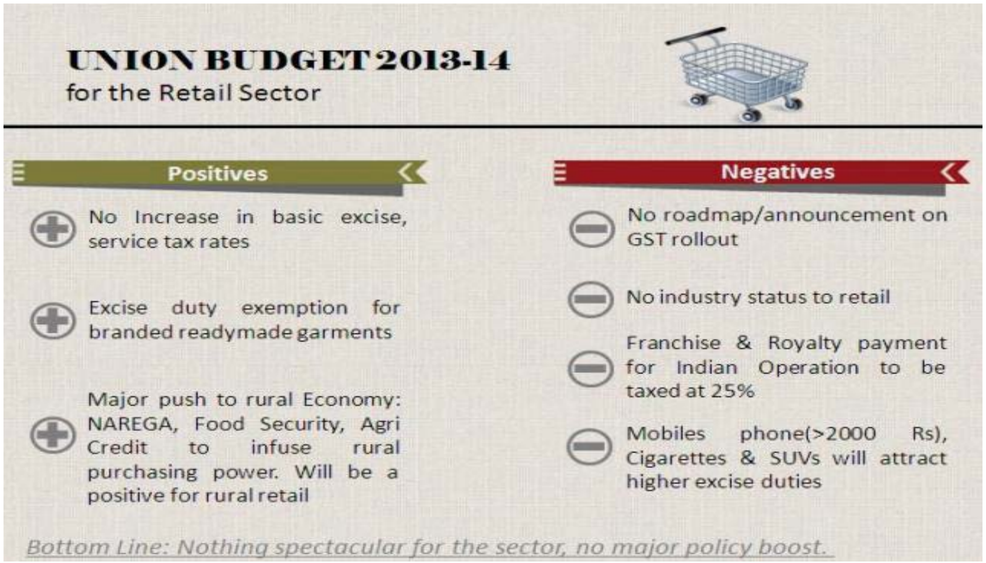
23. List the Government Initiatives towards retailing.

- India will announce new rules for foreign investment in retail by April 2012, paving the way for companies such as Wal-Mart Stores and Carrefour to open stores, according to Junior Trade Minister Jyotiraditya Scindia. A government panel has issued a report that recommends easing a law that prohibits non-Indian companies from operating multi-brand outlets. Allowing foreign investment in multi-brand retail may help moderate food prices, said Kaushik Basu, chief economic adviser in the finance ministry, who sits on the panel.
- India currently allows 51 per cent FDI in single-brand retail and 100 per cent in wholesale cash-and-carry operations.
- In a landmark decision, the government has eased norms for investments by foreign companies that are present in India through a joint venture (JV) or a technical collaboration. Now, the foreign company will not have to seek a no-objection certificate

(NOC) from the Indian partner for investing in the sector where the joint venture operates.

- The government has also relaxed norms for downstream investments and convertible instruments, giving foreign companies more powers. The changes are part of the third revision of the Consolidated FDI Policy.

24. Write the Union budget towards retailing.



25. What is global retailing?
Globalisation in the retail industry is the strategy of unlocking sales opportunities in new markets through a mix of exporting best practice and modifying existing models to suit local needs.

26. Give the advantages of global retail marketing.

- Economies of scale in production and distribution
- Lower marketing costs
- Power and scope
- Consistency in brand image
- Ability to leverage good ideas quickly and efficiently
- Uniformity of marketing practices
- Helps to establish relationships outside of the "political arena"
- Helps to encourage ancillary industries to be set up to cater for the needs of the global player
- Benefits of eMarketing over traditional marketing

27. What is Public Distribution System (PDS)?
Public distribution system (**PDS**) is an Indian food security system. Established by the Government of India under Ministry of Consumer Affairs, Food, and Public Distribution and

managed jointly with state governments in India, it distributes subsidized food and non-food items to India's poor.

28. Give any four applications of information Technology in retail sector.

- the management of retail establishments – financial and accounting systems as well as payroll and personnel systems in connection with software used for distribution and warehouse management, e.g. Personnel – a financial and accounting system, positive Retail (with POS modules), Positive Management Center – a central sales, distribution and warehouse management system, Positive Multimedia Management System – a central multimedia point of-sale advertising management system.

- the identification and management of products and prices, sales floor layout and product display – e.g. the electronic label provides such information as sales dynamics, the number of products in stock, the size of the latest supply batch, – data processing and analysis – databases and data warehousing, Enterprise Resource Planning (ERP), Customer Relationship Management (CRM). Based on customer research, CRM allows to develop marketing strategies and multi-channel communication (personal contact, telephoning, text messaging, the Internet, teleconferencing).

- the improvements and modifications of customer service processes – e.g. self checkout, interactive trolleys, electronic labels.

29. What are the opportunities of retailing?

- Sales job
- Store manager
- Visual merchandiser
- Regional sales manager
- Financing and accounting
- Human resources
- Logistic
- Marketing

30. What are the challenges of retailing?

- Data and data management – The amount of data available today and the increased customer expectation to have access to a lot of product information has made data management a priority.
- Inventory visibility and availability – Our clients are looking for ways to maximize the inventory they have and to ensure that it is accessible via all selling channels and customer engagement points.
- Technology and innovation. Technology and system capabilities are changing and innovative solutions leave IT departments scratching their heads as to how to keep up.

PART-B

1. How would you describe the various challenges in retailing in India?
2. Discuss on the Government's policy implications on retail sector in India. Discuss about the recent trends in FDI.
3. Explain in detail opportunities and challenges available in global retailing.
4. Explain about the methods to overcome challenges in global retailing.
5. Discuss the following statement in detail: "Entry of foreign retailers may affect the culture of Indian market".
6. Explain in detail about Global Retailing.
7. Give the overview on involvement of government on retail marketing.
8. Has India reached the growth stage in retail? What would be the social and economic impact of retail development in India? Explain.
9. Keeping in the mind the developments, happenings on the Indian Retail scene, what is the need of the hour for Indian retailers?
10. How will you classify retail sector in India?

UNIT II

1. Who is an Independent Retailer?

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

2. What is a Retail Chain?

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

3. What is Retail Franchising?

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

4. What is Convenience Store?

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

5. Define Super markets.

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

6. What are Department Stores?

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

7. What is Specialty Store?

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

8. What is Hyper Markets?

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

9. What is Catalog Retailing?

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

10. What is Direct Response Retailing?

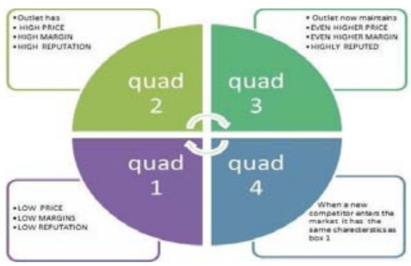
Here the marketers advertise these products/ services in magazines, newspapers, radio and/or television offering an address or telephone number so that consumers can write or call to place an order. It is also sometimes referred to as "Direct response advertising." The availability of credit cards and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

11. What is Electronic Retailing/E-Tailing?

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

12. What is wheel of retailing?

According to this theory new retailers enter the market as, low margin, low price, low status institutions. The cycle begins with retailers attracting customers by offering low price and low service. Over a period of time these retailers want to expand their markets and begin to stock more merchandise, provide more services, and open more convenient locations. This trading up process. increases the retailers costs and prices, creating opportunities for new low price retailers to enter the market. The evolution of the department store illustrates the "wheel of retailing" theory.



13. What is Organized retail ?

It is also known as modern **retail** and is usually chain stores, all owned or franchised by a central entity, or a single store that is larger than some cut-off point.The relative uniformity and standardization of **retailing** is the key attribute of modern **retail**.

14. What is Unorganized retailing?

It refers to the traditional formats of low cost **retailing** for example, the local kirana shops, owner manned general stores, paan-bidi shops, convenience store, hand cart and pavement vendors.

15. Distinguish organized Vs. Unorganized sector.

BASIS FOR COMPARISON	ORGANISED SECTOR	UNORGANISED SECTOR
Meaning	The sector in which the employment terms are fixed	The sector that comprises of small scale emterprises or

	and employees have assured work is Organised sector.	units and are not registered with the government.
Governed by	Various acts like Factories Act, Bonus Act, PF Act, Minimum Wages Act etc.	Not governed by any act.
Government rules	Strictly followed	Not followed
Remuneration	Regular monthly salary.	Daily wages
Job Security	Yes	No
Working hours	Fixed	Not fixed
overtime	Workers are paid remuneration for overtime.	No provision for overtime.
Salary of workers	As prescribed by the government.	Less than the salary prescribed by the government.
Contribution to PF by the employer	Yes	No
Increment in salary	Once in a while	Rarely
Benefits and requisties	Employees get add-on benefits like medical facilities, pension, leave travel compensation, etc.	Not provided.

16. Who is a chain retailer?

A chain retailer or a corporate retail chain: When two or more outlets are under a common ownership, it is called a retail chain. These stores are characterized y the similarity in merchandise offered to the consumer, the ambience, the advertising and the promotions. Examples in India include Wills Sports (ITC), Louis Phillipe, Van Heusen (Madura Garments), Arrow (Arvind Mills), and department stores like Globus, Westside and Shopper's Stop, Foodworld, Music World, Planet M, etc. are also examples of chain retailers.

17. What is meant by Leased Departments?

These are also termed as shop-in-shops. When a section of a department in a retail store is leased / rented to an outside party, it is termed as a leased department. A leased department within a store is a good method available to the retailer, for expanding his product offering to the customers. In India, many large department stores operate their perfumes and cosmetics counters in this manner. A new trend emerging in

Indian retail is that of larger retail chains setting up smaller retail outlets or counters in high traffic areas like malls, department stores multiplexes and public places like airports and railway stations. These sores display only a fraction of the merchandise / products sold in the anchor stores. Their main aim is to be available to the consumer near his place of work or home.

18. What is Consumer Co-operatives?

A consumer co-operative is a retail institution owned by its member customers. A consumer co-operative may arise because of dissatisfied consumers, whose needs are not fulfilled by he excising retailers. As the members of the co-operative largely run these cooperatives, there is a limitation on its growth opportunities.Examples of co-operatives in India are the Sahakari Bhandars and Apna Bazaar shops in Mumbai and the Super Bazaar in Delhi. Retail focuses on the Kendriya Bhandras operated by the government - probably one of the oldest examples of co-operative stores in India.

19. What is meant by **Off Price Retailers?**

Here, the merchandise is sold at less than the retail prices. Off-price retailers buy manufacturers, seconds, overruns and / or off seasons, a deep discount. The merchandise may be in odd sizes, unpopular colours or with minor defects. Off price retail stores may be manufacturer owned or may be owned by a speciality or departmental store. These outlets are usually seen by the parent company as a means of increasing the business. Factory outlets, if owned by the manufacturer, may stock only the company's merchandise. Examples include the Pantaloon factory outlets, the Levi's factory outlets, etc. On the other hand, off price retailers owned by a speciality or departmental store, may sell merchandise from the parent company as well as merchandise acquired from other retailers. This forma largely depends on the volume of sales to make money.

20. What is non store retailing?

A direct relationship with the consumer is the basis of any kind of a non-store retail venture. It may be broadly classified into direct selling and direct response marketing. While direct selling involves a direct, personal contact, in direct response marketing, the customer becomes aware of the products / services offered through a non personal medium like mail, catalogues, phone, television or the internet.

21.What is Catalogue Retailing?

This form of retailing eliminates personal selling and store operations. Appropriate for speciality products, the key is using customer databases to develop targeted catalogues that appeal to narrow target markets. The basic characteristic of this form of retailing is convenience.

22. What is Interactive Kiosk?

Information kiosks have emerged in the western markets as a new type of electronic retailing. These kiosks, comprising of computer terminals housed inside and a touch screen on the outside, provide customers with product and company information and may actually aid the customer in making a purchase. A large number of international cosmetic companies have used this technology to their advantage. The terminals also serve as a market research tool for the retailers. A large amount of information about the people who have interacted with the system can be collected and programs and products developed accordingly.

23. What is **Automated Vending?**

This is another impersonal form of retailing. However, it provides convenience to the customers, as they have access to the products round the clock. It is a popular form of retailing abroad and is used to sell routinely purchased items like soft drinks, candy, cigarettes and newspapers. While tea and coffee vending machines are a popular sight at the airports in India, the Automated Teller Machines operated by banks are perhaps the most successful examples of automated vending in India. The tea and coffee machines are rarely completely automated and unattended as in India, the cost of labour is still cheap.

24. What is "Cash & Carry" Outlets?

The term "Cash & Carry" means that customers do their own order picking, pay in cash and carry the merchandise away. Cash and carry is a wholesale format that aids small retailers and businessman. The advantages that this format has over the traditional wholesale operations are: 1) It offers a wide assortment of goods, food and non-food items, thus providing for one stop shopping and allowing the customers to save time. 2)

Given the permanent availability of goods in the store, the customer can always purchase the goods he needs and is able to store and finance them in the short term. Thus, despite the principle of cash payment, cash and carry largely takes over the function of financing and stock holding on behalf of is customers. 3) Longer business hours per week enable the customer to do his shopping at a convenient time, seven days a week.

25. Define MNC's.

A multinational corporation or worldwide enterprise is an organization that owns or controls production of goods or services in one or more countries other than their home country.

26. list the skills needed for organized retailing?

The skills needed for organized retailing encompass many activities, like deciding on stock levels, the product mix, brand mix and human relations, customer and employee management skills dealing with regulatory authorities and cost control. Merchandising and supply chain management, in addition to customer service is how we could summarise the range of activities performed at an average retails store.

27. What is atmospheric?

The term "Atmospherics" is used to refer to the retailer's effort at creating the right ambience.

28. What are external atmospheric?

Atmosphere is created by a combination of music, colors, crowding and other stimuli such as: flooring (tiles, rugs, marble, etc.), ceiling (brightness, color, height), lighting (fluorescent, incandescent, high intensity, indirect), lighting fixtures, fitting rooms, walls, pillars, customer service, etc. Using a combination of stimuli allows for the creation of store atmospheres which are both arousing and pleasant. Such a combination of stimuli could be: cool colors and loud, fast music; or > crowded store with pleasant music and cool colors.

29. Define positioning.

A marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer. Companies apply this strategy either by emphasizing the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through advertising.

30. What is 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 involve the transformation of natural resources, raw materials, and components into a finished product that is delivered to the end customer.

PART-B

1. What are the different types of organized retail formats? Discuss it in detail with an example. What is a retail chain? Discuss its advantages and disadvantages.

2. How would you list out the emerging trends in retail format? Explain the MNC's role in organized retail formats.

3. Examine in detail about Direct selling. Explain the impact of web or electronic retailing?

4. Evaluate the types of organized retail stores in India. Analyze the different types of strategy mix.

5. Discuss the factors driving the growth of Retail Industry in India. Identify and explain the unorganized retail stores in India?

6. What are the different types of non-store retail formats? Interpret the objectives, benefits, and de-merits of any three retail formats.

7. Discuss the following terms with example: Hypermarkets b) Supermarkets. c) Discount stores. d) Off-shore retailers.

8. Plan the steps needed to set up a super market in a busy market area. Discover the Origin of retailing in India.

9. Analyze the framework online marketing in India?

10. Explain the impact of economic and sociological changes on the evolution of Indian Retail Formats.

UNIT – III

1. What is VMS?

Vertical marketing system

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

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

2. What is Online purchase?

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

3. What is Electronic Data Inter change (EDI)?

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

4. What is Quick Response (QR) System?

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

5. What is Radio Frequency Identification (RFID)?

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

6.What is RIS?

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

7. What is retail location?

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

8. Explain the Importance of location decision in retailing.

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

1) Location choice is a major cost factor.

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

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

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

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

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

9. List the factors Influencing factors of location.

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

a. Size of the City's Trading Area

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

b. The Population of the Trading Area

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

c.The Purchasing Power of the Customers

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

d.Distribution Networks

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

e. Number, Size and Quality of Competition

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

f. Cost of Land, Rent and Other Retail Development Costs

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

10. What are Isolated Stores?

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

11. What are Unplanned Markets?

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

12. What is Planned Markets?

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

13. What is Retail Pricing?

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

14. What is Every Day Low Pricing (EDLP)?

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

15.What is High Low Pricing?

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

16. What is Leader Pricing?

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

17.What is Skimming Pricing?

Price skimming is a pricing strategy in which a retailer sets a relatively high price for a product or service at first, and then lowers the price over time. It allows the firm to recover its sunk costs quickly before competition steps in and lowers the market price. However positive, there are some potential problems with this strategy such as: The inventory turn rate can be very low for skimmed products. Skimming encourages the entry of competitors. When other retailers see the high margins available in the industry, they may decide to quickly enter. The retailer could gain negative publicity if he lowers the price too fast and without significant changes in product profile.

18. What is Penetration Pricing?

Penetration pricing is the pricing technique of setting a relatively low initial entry price, a price that is often lower than the eventual market price. The expectation is that the initial low price will secure market acceptance by breaking down existing brand loyalties. Penetration pricing is most commonly associated with the marketing objective of increasing market snare or sales volume, rather than short term profit maximization.

19. What is Price Lining?

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

20.What is Psychological Pricing?

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

Prestige Pricing

Reference Pricing

Traditional Pricing

Odd-Even Pricing

21.What is Multiple Unit Pricing?

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

22.What is Bundle Pricing?

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

23.What is Pre-emptive Pricing?

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

24. What is Extinction Pricing?

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

25. What is Perceived-value Pricing?

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

26.What is Demand-Oriented Pricing?

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

27. What is Fixed and variable Pricing?

Most firms use a fixed price policy i.e. they examine the situation, determine an appropriate price, and leave the price fixed at that amount until the situation changes, at which point they go through the process again. The alternative has been variable pricing, a form of first degree price discrimination, characterized by individual bargaining and negotiation, and typically, used for highly differentiated - items, like real estate, unbranded garments, fresh vegetables and fruits etc, S.M street in Kozhikode, Kerala, there are some shops in markets like Sarojini Nagar and Lalpat Nagar in Delhi which specifically advertise that they do not bargain and have a "Fixed Price".

28. Define service quality.
Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, Empathy, tangibles. Satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors.

29. Define Pricing.
Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors.

30. What is impulse buying?
An impulse purchase or impulse buying is an unplanned decision to buy a product or service, made just before a purchase. One who tends to make such purchases is referred to as an impulse purchaser or impulse buyer.

PART-B

1. What can you say about retail location? What are various objectives of choosing a good location?

2. Explain in detail about the characteristics of Retail Service Quality Management. Briefly discuss about the gap model for improving retail service quality.

3. Discuss about how you will build a retail store image.

4. Evaluate the factors to be considered for effective pricing decisions. Explain in detail about the different types of pricing strategies followed in retailing.

5. Describe the various factors to be considered for positioning retail shop and improve it in a better manner.

6 Explain in detail about types of retail locations. Discuss about the steps involved in choosing retail location. Explain internal atmospherics used in retail shops in detail.

7. Explain how retail locations influence the buying decisions of the customer. Explain in detail the External Atmospherics which would influence the retail customers?

8. Explain in detail the steps involved in selecting an appropriate location for a retailer. What are the factors affecting the choice of retail location?

9. What is meant by retail supply chain? Explain the changes and challenges of retail supply chain? Discuss briefly about the factors influencing supply chain management.

10. Explain in detail about the principles of Merchandise Management. What are the different types of merchandise mix?

UNIT – IV

1. What do you mean by Retail Budgeting?

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

2. What is Retail store?

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

3. What is the Role of atmospherics (physical components) in retail business?

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

 Influence the service quality experience

4. What is Exterior atmospherics?

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

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

5. What is Interior atmospherics?

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

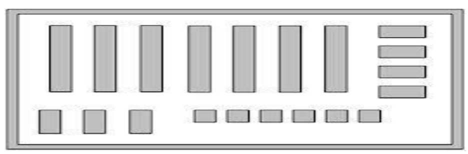
 Flooring
 Music
 Interior design
 Level of cleanliness
 Lightings

6. What is meant by Retail store layout?

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

7. What is Grid Layout?

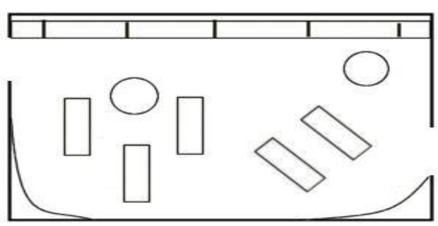
It is a commonly used system followed by conventional grocery stor1es as it facilitates planned shopping behavior so that customers can easily locate products on their shopping list. Kirana and drugs store owners commonly employ the grid type layout. Grid arrangement is not very aesthetic, but it ensures smooth shopping trips of shoppers within the store.



8. What is Free form / boutique layout?

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

Free form layout



9. What is Race track layout / loop layout?

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

10.What is Storied layout?

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

11. What is Race track layout / loop layout?

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

12. List the Benefits of effective display.

 Entertains, informs and educates the customer about the product / service in an
effective and creative way

 Encourages a customer to wander about to discover novelties

 Re-affirms the store image

 Arranges merchandise for easy access

 Draw attention of the customers

 Highlights merchandise to promote its sale

 Introduces and explains new products

 Encourages customer to enter the store.

13. What is Product assortment?

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

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

14. What are the Factors affecting variety and assortment?

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

15. What is Inventory management?

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

16. List the types of inventory?

1. Based on stage

- Raw materials
- Working in progress
- Finished products

2. Based on purpose

- Movement
- Buffer
- Anticipation
- Decoupling
- Cycle

Based on material

- Components
- Spare parts
- Consumables

17. What is the Purpose of inventory management?

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

18. What is labeling in retail?

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

19. List the Contents on labels.

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

20. What is Retail promotion?

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

Retail promotion mix

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

21. What is Retail store image?

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

22.What is meant by store exterior?

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

23. What is Retail audits?

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

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

24. What is ABC Analysis?

The **ABC analysis** is a business term used to define an inventory categorization technique often used in material management. It is also known as "Selective Inventory Control. " Policies based on **ABC analysis**: A ITEMS: very tight control and accurate records. B ITEMS: less tightly controlled and good records.

25. What is brand?

Unique design, sign, symbol, words, or a combination of these, employed in creating an image that identifies a product and differentiates it from its competitors. Over time, this image becomes associated with a level of credibility, quality, and satisfaction in the consumer's mind.

26. What is space management?

Space management is the management of spaces – control and supervision of the physical spaces a business or organization occupies. This could be a single floor, multiple floors within a building, or multiple floors within multiple buildings.

27. What is retail accounting?

"**Retail Accounting**" is a method of **accounting** to account for inventory using **retail** prices only for sales, purchases, beginning inventory, and ending inventory.

28. What is visual merchandising?

Visual Merchandising is a term used to describe everything we see and experience when we walk up to, into and through a retail environment.

29. What is online shopping?

Online shopping (sometimes known as e-tail from "electronic retail" or e-**shopping**) is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser.

30. Define E- Commerce.

E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The terms e-commerce and e-business are often used interchangeably.

PART-B

1. How important is Inventory Management for retailing? Explain with suitable examples. What are the different types of inventory control techniques used in retailing?

2. Explain in detail about Visual Merchandise Management. Define Retail Advertising. Explain the mode of usage of advertising and promotions in retail marketing.
3. Bring out the factors affecting retail inventory management in detail. Formulate the role of inventory management in retail sector.
4. Discuss the various elements of retail accounting and auditing. Discuss about the steps involved in conducting retail audits.
5. What is Retail Management Information System? Explain in detail.
6. Discuss briefly about the types of Retail Store Brands. Explain in detail about the steps involved in developing retail brands.
7. Discuss about the importance of Space Management in Retail. Highlight the impact of online in retailing. Discuss the emerging trends in online marketing.
8. How does retail advertising and promotions influence shoppers? Discuss.
What are the different types of retail promotion mix used to promote a product?
9. Explain in detail about the Retail Accounting.
10. How will you position retail shops as improve it in better manner? What are the guidelines for managing retail shops?

UNIT – V

PART-A

1. What is personality?

It is the sum total of an individual’s traits, which make that individual unique. They include a person’s level of self-confidence, innovativeness, autonomy, sociability, emotional stability, and assertiveness.

2. What is Class consciousness?

It is the extent to which a person desires and pursues social status. It helps determine the use of reference groups and the importance of prestige purchases. A class-conscious person values the status of goods, services, and retailers.

3. What is Attitude?

They are the positive, neutral, or negative feelings a person has about different topics. They are also feelings consumers have about a given retailer and its activities. Does the consumer feel a retailer is desirable, unique, and fairly priced?

4. What is Perceived risk?

Itz is the level of risk a consumer believes exists regarding the purchase of a specific good or service from a given retailer, whether or not the belief is correct. Perceived risk is high if a retailer or its brands are new, a person is on a budget, a person has little experience, there are many choices, and a purchase is socially visible or complex.

5. What is Culture?

The term culture normally refers to the person’s values, preferences, wants and desires, which dictate or determine, to a great extent, the person’s behaviour. These influences emerge from the environment, education and experiences encountered by the person through childhood and adulthood. Middle class people desire to play safe, like security, and do not like to take risks. The lower middle class does not have much of an income, and office clerks tend to be a little suspicious.

6. What is meant by Reference Groups?

Reference groups influence people’s thoughts and behavior: aspirational groups – a person does not belong but wishes to join; membership groups – a person does belong; and dissociative groups – a person does not want to belong. Face-to-face groups, such as families, have the most impact. Within reference groups, there are opinion leaders whose views are well respected and sought. Groups having a direct or indirect influence on the person’s behavior like family, close friends, co-workers. Since they interact frequently with the person and most interactions are informal; the person absorbs their like and dislikes.

7. What is Family Lifecycle?

Just as individuals have lifecycle, families, also, have life-cycles, which refer to the series of life stages through which individuals proceed over time. Shopper researches considered the concept of the family life cycle (FLC) the effective way to classify family units into distinct segments. FLC analysis aids retailers in segmenting families in terms of a series of stages spanning the life course of a family unit. FLC studies demographic variables such as marital status, size of family, age of family members and employment status of household. Parent’s age and their relative disposable incomes are usually influenced from the stage in the FLC.

8. What is meant by belief?

A belief is a thought that a person holds about something. People act based on their beliefs. These beliefs help in building up product and brand images. An attitude can be said to be “person enduring favorable or unfavorable cognitive evaluation, emotional feelings, and action tendencies towards some object or idea.

9. What is meant by Perception?

It is the process by which individuals select, organize, and interpret stimuli into a meaningful and coherent picture of the world. It has strategy implications for marketers because consumers make decisions based on what they perceive, rather than on the basis of objective reality.

10. What is meant by shopper profile analysis?

A description of a customer or set of customers that includes demographic, geographic, and psychographic characteristics, as well as buying patterns, creditworthiness, and purchase history.

11. Define complaint management.

A complaint system (also known as a conflict management system, internal conflict management system, integrated conflict management system, or dispute system) is a set of procedures used in organizations to address complaints and resolve disputes.

12. What is meant by retail sales force management?

They are e information systems used in customer relationship management (CRM) marketing and management that help automate some sales and sales force management functions. They are often combined with a marketing information system, in which case they are often called CRM systems.

13. **List the challenges faced by retail industry?**

Fragmented IT infrastructure. Aging and siloed IT, store and distribution networks make it nearly impossible to efficiently brand, market, merchandise, service and sell across multiple retail channels.

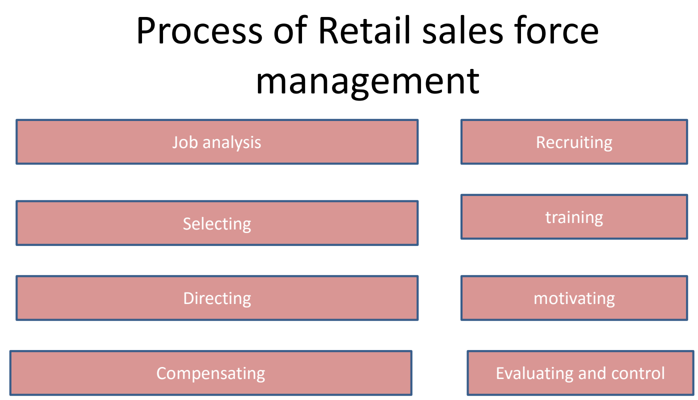
“Always open” availability. Retailers often do not have an effective plan for dealing with costly outages that can disrupt the customer experience, impact sales and reflect negatively on the organization.

New and emerging technologies. Newer technologies—such as digital signage, kiosks and mobility—are challenging retailers’ infrastructures and emerging technologies, such as near-field communications (NFC), are close behind.

Growing data. As with other industries, retailers collect and store massive amounts of customer, product and transactional data—which is meaningless unless it can be mined for actionable intelligence.

Performance bottlenecks. Managing a large number of simultaneous customer transactions can slow applications to a crawl—and potentially impact sales, not to mention frustrate and lose customers.
Skyrocketing costs. Instead of directing scarce resources to improving the customer experience, resources are often diverted to maintaining inefficient infrastructures—driving productivity down, costs up and negatively impacting the shopping experience.

14. List the process of sales force management.



15.What are the buying habits of shoppers of consumers?

16. List the Factors Influencing for Growth of Retail Industry in India

The following are the factors influencing the growth of retail industry in India:

1. Liberalization open up ways to enter MNCs by which Indian consumer is now exposed to wide range of alternatives in consumer markets.
2. Changing consumer buying behaviour from domestic brands to MNC brands. In durable segment Sony, LG are capturing highest market share.

3. Growing technology. In this context internet is the medium connecting people across the globe. Accessibility of the global markets and emerging trends influenc-ing Indian consumer tremendously.

4. Growing Urbanization has led to higher customer density leading to the demand for retail stores. Urbanization is leading to consumerism. Increased working woman population. In the wake of globalization, employment opportunities have increased substantially to woman also. As a result, with increased purchasing power among the woman, there is an urge to splurge.

17. Define shopper profile analysis.

A description of a customer or set of customers that includes demographic, geographic, and psychographic characteristics, as well as buying patterns, creditworthiness, and purchase history.

18. Define buyer behaviour.

A management theory component which analyzes the purchasing habits of individuals and/or groups. Primarily used for marketing purposes, the analysis includes an examination of perception, desire, decision-making and satisfaction.

19. What is penetration in Market?

Market penetration is the percentage of a target market that consumes a product or service. Market penetration can also be a measure of one company's sales as a percentage of all sales for a product.

20. What is mercantile retailing?

He is a person who is appointed by those in business to act on their behalf or to represent them in dealing with other persons.

21. What is *Store layout?*

A store’s interior is organized in such a way as to accomplish the firm’s merchandising strategy. However, retailers sometimes find that their layout and design approach is failing to accomplish objectives.

22. What is Point-of-purchase displays?

It is with more than 80 per cent of supermarket shoppers making this final buying decision in the store, point-of-purchase displays by marketers assume an important role. An effective combination of good strategy and attractive display makes shopping experience exciting and also produces more sales. Special displays are used in stores in order to attract shopper attention to one or more products.

23.Define Product shelving

It has an important influence on consumer behavior. Both the height at which products are displayed and the number of rows presented (facings) can influence sales of products.

24.What is Shelf Height?

The most favorable shelf position is generally at eye level, followed in effectiveness by waist level and knee or ankle level. Beyond the physical impossibility of stocking all products at eye level, there are also valid arguments for placing products on lower shelves. The shelf height of an item is determined by its package size, its normal movement, whether or not it is being advertised and its market target.

25.What is **Shelf space?**

It is crucial for a product to be given enough shelf space to attract the buyer's attention. In order to help and ensure this, the science and industry of packaging has mushroomed. Without adequate shelf facings the item will be lost in the mass of other multiple facing lining the average supermarket shelves.

26. What is Customer data?

Customer data: Once a retailer is aware of the broad demographics of the region, he needs to understand the buying and spending patterns of households and what it is that the consumer is looking for. An analysis of the spending patterns of the various SEC groups indicates the changes in the buying patterns and the changes in the aspirations of the consumers. This is of great importance to the retailer as it gives him an indication of the type of products needed in the various markets.

27. Who is *Consumer?*

Consumer is a broad label for any individuals or households that use goods generated within the economy. The concept of a consumer occurs in different contexts, so that the usage and significance of the term may vary. The "consumer" is the one who consumes the goods and services produced.

28. Define Buyer.

Any person who buys a product/service, may not be necessarily user or consumer. On the other hand, "a buyer is a customer—he is an individual or business that makes a purchase from a seller.

29. Define customer.

It came from the term, "custom," meaning habit or tradition. These are people or organizations who frequently visit your store, they purchase from you preferably. The owner or store keeper also makes sure that his/her customers are satisfied.

30. What is HIP?

High involvement products (HIP) - products for which the buyer is prepared to spend considerable time and effort in searching.

PART-B

1. Complaint Management is a tough job in Retail Industry- Discuss. Define Complaint Management. Explain the effectiveness of Complaint Management in detail.

2. Explain in detail about the Shopper profile analysis. Discuss about the challenges in retailing. What are the benefits of understanding retail shopper behavior?

3. Define sales force. How would you train the sales force? What are the methods of training the sales force?

4. Elucidate about the future of retailing. Explain about the impact of various non-store retailing.

5. Discuss in detail about the steps involved in handling the complaints effectively. Explain the role of an effective marketing communication process in working with these factors.

6. Explain the steps involved in selecting the retail staff. What are the types of compensation provided to retail staff?

7. Elucidate the need of retail shopper behavior in detail. Explain the various factors that influencing the retail shopper behavior?

8. Discuss the impact of foreign retail brands on the growth of Indian retail industry. Discuss the strategic approach towards effective complaint management in a high profile retail environment.

9. Explain about the retail sales force management? Develop an outline for a training programme for different categories of staff in a retail organization.

10. Discuss about the steps to be followed in Buyer Decision Process. How could an effective customer service strategy cut a retailer’s cost?.