

GOVERNMENT ARTS COLLEGE FOR WOMEN

SALEM- 636 008



PG & RESEARCH DEPARTMENT OF COMMERCE

STUDY MATERIAL

PAPER NAME : RETAIL MARKETING

SEMESTER : THIRD

CLASS : II M.COM

PAPER CODE : 17PCME06

RETAIL MARKETING

UNIT I:

Retail marketing – Introduction, definition and significance –Characteristics of retailing – Traditional and Non-traditional retailing – Global trends in retailing – Retailing in Indian scenario – New trends in Indian retailing – Future prospectives of retailing in India.

UNIT II:

Retail Environment - Micro and Macro environmental influences - Changing retail environment in India – Retail consumers – retail consumer buying process , factors affecting consumer decision process.

UNIT III:

Retail Formats – different types of retail stores – ownership based, store based, non-store based, web based. Retail location – choice of location , store layout and designs – Positioning of retail shops, retail store image – retail service quality management.

UNIT IV:

Retail Pricing – factors influencing retail pricing – retail pricing policies. Retail Merchandising – phases in developing a merchandise plan – Key areas in merchandise management – Service Retailing vs. Product Retailing – Retail Branding and strategies – Retail Marketing Mix.

UNIT V:

Retail Channel Management – Retail sales promotion techniques – Retail advertising – e-retailing in India – role of information technology in retailing.

Note: Question paper shall cover 100% theory

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1. Retail Marketing: A. Hustafa, Himalaya Publishing House, Mumbai.
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UNIT – I

RETAIL MARKETING

RETAIL MARKETING – MEANING

Retail is the sale of goods and services from businesses to an end user (called a customer). Retail marketing is the process by which retailers promote awareness and interest of their goods and services in an effort to generate sales from their consumers. There are many different approaches and strategies retailers can use to market their goods and services.

Definitions of Retailing

Philip Kotler defined retailing as follows: “all the activities involved in selling goods or services directly to final consumers for personal, non-business use.

“Retailing includes all activities directly related to sales of goods and services to the ultimate consumer for personal and non-business use”. W.J.Stanton

“Retailing is selling final consumer products to household” Mc.Carthy.

IMPORTANCE OF RETAIL MARKETING

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

- Retailing shapes the lifestyle of people
- Retailing contributes to the economy
- Retailing dominates the supply chain
- Retailing is interdisciplinary
- Retailing offers itself as an academic course.
- Retailers have status as employers.
- Retailers are gatekeepers within the channel of distribution.
- Retailers have scope for expanding internationally.

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

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

3. Retailing dominates the supply chain: Goods and service flow from manufacturers or service providers to consumers. Where consumers are large in number and are widely distributed, the role of retailers becomes crucial. Retailers serve as a connecting link between the wholesalers and consumers. Due to its dominant position in the supply chain, the retail structure has steadily developed over the years.

Now-a-days, retailing is characterized by large multiple chains rather than small scale independent retailers. The formalization and growing importance of retailing has made it powerful in the distribution channel. Now, retailers are compared with manufacturers which indicate the growing dominance of retailers within the supply chain. Besides, the annual turnovers achieved by the retailers can be compared with the largest companies in other service industries.

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

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

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

More than two thirds of the retail force are women. Also, more than half of retailing employees are employed on a part-time basis. This, highly flexible workforce is capable of adapting to the differing labor demands In the past, retailing employees got lower pay and had

longer working hours. But now, the retail sector is becoming more organized with better pay scale.

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

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

CHARACTERISTICS OF RETAILING

Retailing can be distinguished in various ways from other businesses such as manufacturing. Retailing differs from manufacturing in the following ways:

- I. There is direct end-user interaction in retailing.
- II. It is the only point in the value chain to provide a platform for promotions.
- III. Sales at the retail level are generally in smaller unit sizes.
- IV. Location is a critical factor in retail business.
- V. In most retail businesses services are as important as core products.
- VI. There are a larger number of retail units compared to other members of the value chain. This occurs primarily to meet the requirements of geographical coverage and population density.

FEATURES OF RETAILING

A retail offer may be divided into two broad areas.

1. Tangible features
2. Intangible services.

Tangible features

Retailing is an amalgamation of goods and services. It comprises a mix of the physical surrounding, signage, uniforms, changing rooms, displays and other tangible features such as merchandise. Retailing gives the beneficial utility of a place for purchase. It is also

characterized by the service component such as the intangible interaction with sales staff and other retail departments. The type and timing of the service delivery, other customers and the nature of a retail sales transaction also constitute the characteristics of the service component. Retail staff add extra value to the retail environment through their advice on the use of the product, its maintenance and the type of alterations or adjustments required to make it fit.

Intangible service

Relating is by and large intangible. Sometimes it assumes the characteristics of pure services with operations such as banking, insurance and investment service. Retailing can be pure services or an amalgam between services and goods based upon their relationship to different types of shops and merchandise offers. Retailing includes a wide array of services performed by dry cleaners and laundries, photographic studios, hairdressers, shoe repairers, undertakers, health clubs, reprographic shops, public houses, garage services, car rentals, cinemas, catering outlets, travel agents, banking insurance, investment etc. In retail business there is little or no movement of physical goods through distribution channel.

CHARACTERISTICS RETAILER

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

- He is regarded as the last link in the chain of distribution.
- He purchases goods in large quantities from the wholesaler and sell in small quantity to the consumer.
- He deals in general products or a variety of merchandise.
- He develops personal contact with the consumer.
- He aims at providing maximum satisfaction to the consumer.
- He has a limited sphere in the market.

TRADITIONAL RETAIL VERSUS NON -TRADITIONAL/ MODERN RETAIL

This is an attempt to differentiate between Traditional Retail channel and Non-Traditional or Modern Retail. Before spotting the difference, it's important to understand what exactly are the two channels?

Traditional Channel comprises of the regular trade partners like

1. Direct Dealers: Companies sell directly to them and in turn they directly sell to the end consumer or user. Number of outlets owned by them may vary anywhere between 1 to 10 in

any specific location/ city. Their presence is limited to specific geography – within a city or a region

2. Distributors: Companies sell directly to them and they in turn service the smaller retail shops (known as sub-dealers) in the area designated to them by the company. The sub-dealers then sell to the end consumers

3. Wholesalers: This one is a disorganized channel. Either companies or a bigger direct dealer will sell them the products in bulk and they in turn sell to the smaller retailers comparatively at a lower cost than the distributor. They run like a parallel channel to distribution and at times may lead to market imbalances.

4. Brand Shops: These are company owned or franchised retail outlets selling products of only one company. They act as usually the place to showcase the entire range of the products sold by the company.

Non-Traditional or Modern Retail Channel refers to all other formats of retail stores like Hyper markets, Department Stores, Discount Stores, Electric Multiple stores, Cash and Carry Stores, Specialty Stores, Online, Direct selling

DIFFERENCE BETWEEN TRADITIONAL AND NON-TRADITIONAL RETAILING

- 1. Presence:** Usually Traditional channel has limited geographical presence say within a city or a specific region while Non-Traditional or Modern Channel has national presence.
- 2. Service:** Traditional channel (Example: say a neighborhood Kirana store) has high involvement with the consumer during the sale is made. It can be even to the level of free home delivery of small value goods bought. However the expectation of the consumer is low in terms of service standards at the time of sale. On the other hand in Modern Retail usually there is low involvement with the consumers on the shop floor. Usually consumers are free to roam around and choose on their own what they wish to buy. Not much personal attention given. At the same time consumer expectations are high.
- 3. Delivery:** There are no strict norms for the delivery of goods from the company to the retailer where as in Modern Retail there are defined delivery norms such as specific time schedule for deliver, barcodes, delivery to happen before expiry of PO etc
- 4. Volumes:** Traditional trade usually sells/ buys consistent volumes with increase during the season/ festivals while on the other hand modern trade sells/ buys higher volumes throughout the year due to promotions and regular expansions.

5. **Margins:** Traditional trade demands higher margins while retention is low. Modern Trade however demands high margin and also there is fixed percentage of retention.
6. **Merchandise:** High visibility is ensured in traditional trade with a slight cluttered display. Whereas modern trade has innovative merchandising.
7. **Promotions:** Promotions in traditional channel are usually seasonal while modern retail channel believes in monthly and daily promotions on products.
8. **Training of staff:** There is a moderate focus on training of staff in traditional trade while modern trade ensures high level of training of their staff.
9. **Credit terms:** Companies usually give lower credit periods to traditional trade while modern trade enjoys higher credit limits and periods.
10. **Relationships:** Traditional trade is managed usually on personal relationship of the sales personnel with the owner while the relationship of modern trade with companies is professional and legal

GLOBAL TRENDS IN RETAILING

1. Mobile marketing.

Consumers opt in to a retailer's mobile marketing program by giving it both mobile phone number and explicit consent to be contacted with promotional offers. The retailer thus builds a database of customers with whom it has authority to conduct real-time communications. The communication itself often takes the form of text messages alerting the customer to new products, special deals and other promotional offers. The messages can also contain coupons that are embedded with a code that is entered into the retailer's point-of-sale (POS) system at the checkout.

2. Mobile commerce.

Consumers are being given the capability through their mobile phones of shopping, checking order status, signing up for text alerts and other interactive functions. The important thing is that the retailer's Mobile commerce site is optimised for a small phone screen so that the shopping experience is comparable to that of sitting at a normal computer screen. The retailer's Mobile store can also carry links to the retailer's Social networking pages on sites such as Facebook, MySpace, Twitter, YouTube and Flickr.

3. Green products and performance equivalence.

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

4. Popup shops.

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

5. Corporate responsibility.

The issue of green and sustainable retailing is closely associated with the broader topic of corporate responsibility, which involves community involvement, charitable giving, fair trade and good working conditions for employees. In Europe and America social responsibility is now high on the list of shopper purchasing criteria. The best retailers believe they can no longer afford to appeal to material self-gratification alone.

6. Customization.

Retail chains are making a greater effort to tailor merchandise assortments to local markets. However, the customization trend runs much further than that.

For example, US drug store retailer CVS offers customizable gift cards whereby visitors to its website are able to create virtual gift cards with a personalized look and feel, incorporating customer-selected colours, fonts and greetings. After selecting the dollar amount of the gift card shoppers can also specify the date, time and destination of email delivery.

7. Advancing technology ahead of the point-of-sale.

Technology went mainstream at the till a long time ago but now mobile handheld devices are being used in a variety of ways to speed the checkout process and improve the efficiency and

enjoyment of the shopping experience. For example, portable terminals are now being used by some retailers that enable customers to scan items before they reach the checkout, where they simply need to pay. These technological tools, like corporate responsibility, add to a retailer's Cache and represent a genuine marketing advantage.

8. Social media.

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

9. Using vacant shop windows as advertising signs.

This is the classic case of making a silk purse out of a sow's ear: use the increasing number of vacant shop windows in shopping centers to promote retailers and retailers' products. This can often be hi-tech, involving the use of digital displays, and draw the shopper's attention to specific merchandise or promotions in a nearby store.

10. Discounting and giveaways.

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

RETAILING IN INDIAN SCENARIO

Retail is clearly the sector that is poised to show the highest growth in the next five years. The sector is set for a revolution, as both the present players and new entrants are gearing up to explore the market. This sector contributes 10% of India's GDP and the current growth rate is 8.5%. The present size of the organized retailing sector is approximately 3% and is expected to grow to 25-30% by the year 2010. There are about 300 new malls, 1500 supermarkets and 325 departmental stores currently under construction. Many players are coming up with huge investments, due to which the present 12 million mom-and-pop shops and Kirana stores fear losing their business. Most predictions say that the sector might reach to US\$ 400-600 billion by the year 2010. Global retail giants such as Wal-Mart, Tesco, Germany's Metro AG and many others are ready to enter the retail markets. The rising demand of branded products and increase in purchasing power has lured these companies to enter the market.

Modern retail development in India is focused on the following cities:

West:

Mumbai, Pune, Ahmadabad

North:

Delhi and the National Capital Region

South:

Chennai, Bangalore, Hyderabad

East:

Kolkata

Leading Indian retailer: Bata India Ltd, Big Bazaar, Crossword, Ebony Retail Holdings Ltd., Food Bazaar, Globus Stores Pvt. Ltd., Liberty shoes Ltd., Music World Entertainment Ltd., Pantaloon Retail India Ltd., Shoppers Stop, Subhiksha, Titan Industries, Trent and the new entrants penetrating the market soon will include Reliance Retail Ltd, Wal-Mart Stores, Carrefour, Tesco, Boots Group, etc.,

CLASSIFYING INDIAN RETAIL

Traditional Format Retailers

- Kiranas: Traditional Mom and Pop Stores
- Kiosks
- Street Markets

Modern Format retailers

- Supermarkets (Food world)
- Hypermarkets (Big Bazaar)
- Department Stores (Shoppers Stop)
- Specialty Chains (Ikea)
- Company Owned / Company Operated
- Exclusive/Multiple Brand Outlet
- Convenience Stores
- Branded Stores
- Category Killer
- Cash and Carry
- Dollar Stores

- Company Owned Company Operated

CHALLENGES OF RETAILING IN INDIA

Retailing as an industry in India has still a long way to go. To become a truly flourishing industry, retailing needs to cross the following hurdles:

- ❖ Automatic approval is not allowed for foreign investment in retail.
- ❖ Regulations restricting real estate purchases, and cumbersome local laws.
- ❖ Taxation, which favours small retail businesses.
- ❖ Absence of developed supply chain and integrated IT management.
- ❖ Lack of trained work force.
- ❖ Low skill level for retailing management.
- ❖ Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

FUTURE PROSPECTIVES OF RETAILING IN INDIA

1. Indian Consumer the Indian consumer has undergone a remarkable transformation. Just a decade or two ago, the Indian consumer saved most of his income, purchased the bare necessities and rarely indulged himself. Today, armed with a higher income, credit cards, exposure to the shopping culture of the west and a desire to improve his standard of living, the Indian consumer is spending like never before. Organized retail with its variety of products and multitude of malls and supermarkets is fueling his addiction. His new mentality, in turn, is fueling the growth of organized retail in India.
2. Young Shoppers India's population is young, very young. Most consumers have grown up with television, the internet, and have been exposed to the standards of living and consumer culture abroad. This generation is also making money at a younger age and lots of it, thanks to call centers and other avenues of employment opening up that cater to students in college and schools. As a result they are ready to spend most, if not all of their income on apparel, accessories, and electronics.
3. Higher Incomes Liberalization of the country's economy has brought a number of employments opportunities. With the entry of a number of multinationals and the expansion of domestic corporations, job prospects in the country are looking up. As a result, incomes and consumption are projected to increase 390 rapidly over the next

couple of years. This sets the stage for a very exciting and promising retail market in the future.

4. **No Money, No Problem** The finance sector has already seen a huge expansion. Unlike a decade ago, credit cards and short-term loans have become easily accessible and have contributed to the emergence of a consumer culture in India. Credit card rewards schemes, flexible financing options and all the other common lures are tempting the Indian consumer to shop. With loans for everything from a home to an automobile freely available, the Indian consumer can start spending on big-ticket items that were traditionally within his reach only after years of savings.
5. **Urbanization** growing urbanization is also responsible for the changing consumer psyche³³⁴. As urbanization spreads beyond the major cities, it converts the local population from net savers to net spenders. This is consistent with what has been observed in developing countries like Thailand, Malaysia and developed countries like U.S.A and the U.K.
6. **The Lure of Organized Retail** Another important factor to consider is the effect of existing organized retail in India in fueling consumerism. New malls and supermarkets with their modern decors and multiple products are enticing Indian consumers. This is one of the most direct factors responsible for the mentality change of the Indian consumer. As people see their relatives, friends, neighbors shopping at these new establishments, they are bound to jump on the bandwagon as well.

FUTURE RETAILING IN INDIA

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

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

(FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets.

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

- ✓ Mega Malls
- ✓ Multiplexes
- ✓ Large and small supermarkets
- ✓ Hypermarkets
- ✓ Departmental stores are a few formats which flourishing in the both big and small regional markets

As the major cities have made the present retail scenario pleasant, the future of the Indian Retailing industry lies in the rural regions. Catering to these consumers will bring tremendous business to brands from every sector. However as the market expands companies entering India will have to be more cautious with their strategic plans. To tap into the psyche of consumers with different likes and dislikes and differing budgets a company has to be well prepared and highly flexible with their product and services.

QUESTION BANK

5 MARK QUESTIONS:

1. Retail marketing – meaning
2. Write the Characteristics of retailing.
3. Narrate the Features of retailing.
4. What are the Characteristics retailers?
5. Explain the Traditional retail versus non -traditional/ modern retail.
6. Explain the Global trends in retailing.
7. Write the Retailing in Indian scenario.
8. How Classifying Indian retail?
9. What are the Challenges of retailing in India?

10 MARK QUESTIONS:

1. Discuss the Importance of retail marketing.
2. Difference between traditional and non-traditional retailing.
3. Describe the Global trends in retailing.
4. Explain the Classification Indian retail
5. What are the Future prospective of retailing in India?

UNIT – II

RETAIL ENVIRONMENT

RETAIL ENVIRONMENT

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

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

MICRO AND MACRO ENVIRONMENTAL INFLUENCES

Micro:

1. **Suppliers** – are business firms and individuals who provide resources needed by the retailer. For example a retail store must obtain various products from different suppliers so that as and when customers come and ask the product, he will be in a position to sell them on time.
2. **Intermediaries** – are firms that aid the retail shop in promoting selling and distribution goods to final buyers.
3. **Customers** – are the end users of the product or services and they are the last link in the business process.
4. **Competitors** – the retailers marketing system is surrounded and affected by a host of competitors. These competitors have to be identified, monitored and outmaneuvered to captured and maintain customer loyalty.

Macro:

1. **Demographic** - The first environmental fact of interest to retailers is population because people make up markets. Retailers are keenly interested in the size of the population, its geographic distribution, density, mobility trends, age distribution and social ethic and religious structure.
2. **Political and legal** - Retail marketing decisions are substantially impacted by development in political / legal environment. This environment is composed of laws, government agencies and pressure groups that influence and constrain various organizations and individuals in society.
3. **Social and cultural environment** - The implication of socially responsible marketing is that the retail firms should take the lead in eliminating socially harmful products such as cigarettes and drugs etc. there are innumerable pressure groups such as consumer forums, activists, social workers, mass media etc.
4. **Economic environment** - Retail markets consist of purchasing power as well as people. Total purchasing power is a function of current income, prices, savings and credit availability. Marketers should be cognizant of major trends in the economic environment.
5. **Technology environment** - Information and communication technology has been utilized in retail section also. Some of them are discussed below

a. Online purchase:

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

b. Credit Cards:

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

c. Electronic Data Inter change (EDI):

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

d. Quick Response (QR) System:

In today's retailing environment "you are either quick or you are dead". Many vendors have developed retail specific ERP systems which help to integrate all the function from warehousing to distribution, front and back office store system and merchandising. Such an integrated supply chain, Figure helps the retailer in maintaining his stocks, receiving supplies on time, preventing stock outs and thus reducing his costs and servicing the customer better. 23 Evolution of Retail Environment

e. Radio Frequency Identification (IFID):

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

RETAIL CONSUMER

Understanding retail consumer deals with understanding their buying behavior in retail stores. Understanding the consumer is important to know who buys what, when, and how. It is also important to know how to evaluate consumer's response to sales promotion. It is very vital to understand the consumer in the retail sector for the survival and prosperity of the business.

RETAIL CONSUMER BUYING PROCESS

The needs, tastes, and preferences of the consumer for whom the products are purchased drives the buying behavior of the customer. The pattern of customer's buying behavior can be categorized as –

1. Place of Purchase

Customers divide their place of purchase. Even if all the products they want are available at a shop, they prefer to visit various shops and compare them in terms of prices. When the customers have a choice of which shop to buy from, their loyalty does not remain permanent to a single shop. Study of customer's place of purchase is important for selection of location, keeping appropriate merchandise, and selecting a distributor in close proximity.

2. Product Purchased

It pertains to what items and how many units of items the customer purchases. The customer purchases a product depending upon the following –

- Availability/Shortage of product
- Requirement/Choice of product
- Perishability of product
- Storage requirements
- Purchasing power of oneself

This category is important for producers, distributors, and retailers. Say, soaps, toothbrushes, potatoes, and apples are purchased by a large group of customers irrespective of their demographics but live lobsters, French grapes, avocados, baked beans, or beef are purchased by only a small number of customers with strong regional demarcation.

Similarly, the customers rarely purchase a single potato or a banana, like more than two watermelons at a time.

3. Time and Frequency of Purchase

Retailers need to keep their working time tuned with customer's availability. The time of purchase is influenced by –

- Weather
- Season
- Location of customer

The frequency of purchase mainly depends on the following factors –

- Type of commodity
- Degree of necessity involved
- Lifestyle of customers
- Festivals and customs
- Influence of the person accompanying the customer.

For example, Indian family man from intermediate income group would purchase a car not more than two times in his lifetime whereas a same-class customer from US may buy it more frequently. A tennis player would buy required stuff more frequently than a student learning tennis at a school.

4. Method of Purchase

It is the way a customer purchases. It involves factors such as –

- Is the customer purchasing alone or is accompanied by someone?
- How does the customer pay: by cash or by credit?
- What is the mode of travel for the customer?

5. Response to Sales Promotion Methods

The more the customer visits a retail shop, the more (s)he is exposed to the sales promotion methods. The use of sales promotional devices increases the number of shop visitors-turned-impulsive buyers.

The promotional methods include –

- **Displays** – Consumer products are packaged and displayed with aesthetics while on display. Shape, size, color, and decoration create appeal.
- **Demonstrations** – Consumers are influenced by giving away sample product or by showing how to use the product and its benefits.
- **Special pricing** – Unit's special price under some scheme or during festive season, coupons, contests, prizes, etc.
- **Sales talks** – It is verbal or printed advertisement conducted by the salesperson in the shop.

An urban customer, due to fast paced life would select easy-to-cook or ready-to-eat food over raw food material as compared to rural counterpart who comes from laid-back lifestyle and self-sufficiency in food items grown on farm.

It is found that the couples buy more items in a single transaction than a man or a woman shopping alone. Customers devote time for analyzing alternative products or services. Customers purchase required and perishable products quickly but when it comes to investing in consumer durables, (s) he tries to gather more information about the product.

FACTORS INFLUENCING/AFFECTING RETAIL CONSUMER

➤ Market Conditions/Recession

In a well-performing market, customers don't mind spending on comfort and luxuries. In contrast, during an economic crisis they tend to prioritize their requirements from basic needs to luxuries, in that order and focus only on what is absolutely essential to survive.

➤ **Cultural Background**

Every child (a would-be-customer) acquires a personality, thought process, and attitude while growing up by learning, observing, and forming opinions, likes, and dislikes from its surrounding. Buying behavior differs in people depending on the various cultures they are brought up in and different demographics they come from.

➤ **Social Status**

Social status is nothing but a position of the customer in the society. Generally, people form groups while interacting with each other for the satisfaction of their social needs. These groups have prominent effects on the buying behavior. When customers buy with family members or friends, the chances are more that their choice is altered or biased under peer pressure for the purpose of trying something new. Dominating people in the family can alter the choice or decision making of a submissive customer.

➤ **Income Levels**

Consumers with high income have high self-respect and expect everything best when it comes to buying products or availing services. Consumers of this class don't generally think twice on cost if he is buying a good quality product. On the other hand, low-income group consumers would prefer a low-cost substitute of the same product. For example, a professional earning handsome pay package would not hesitate to buy an iPhone6 but a taxi driver in India would buy a low-cost mobile.

➤ **Personal Elements**

Here is how the personal elements change buying behavior –

Gender – Men and women differ in their perspective, objective, and habits while deciding what to buy and actually buying it. Researchers at Wharton's Jay H. Baker Retail Initiative and the Verde Group, studied men and women on shopping and found that men buy, while women shop. Women have an emotional attachment to shopping and for men it is a mission. Hence, men shop fast and women stay in the shop for a longer time. Men make faster decisions, women prefer to look for better deals even if they have decided on buying a particular product. Wise retail managers set their marketing policies such that the four Ps are appealing to both the genders.

- **Age** – People belonging to different ages or stages of life cycles make different purchase decisions.

- **Occupation** – The occupational status changes the requirement of the products or services. For example, a person working as a small-scale farmer may not require a high-priced electronic gadget but an IT professional would need it.
- **Lifestyle** – Customers of different lifestyles choose different products within the same culture.
- **Nature** – Customers with high personal awareness, confidence, adaptability, and dominance are too choosy and take time while selecting a product but are quick in making a buying decision.

➤ **Psychological Elements**

Psychological factors are a major influence in customer's buying behavior. Some of them are –

- **Motivation** – Customers often make purchase decisions by particular motives such as natural force of hunger, thirst, need of safety, to name a few.
- **Perception** – Customers form different perceptions about various products or services of the same category after using it. Hence perceptions of customer leads to biased buying decisions.
- **Learning** – Customers learn about new products or services in the market from various resources such as peers, advertisements, and Internet. Hence, learning largely affects their buying decisions. For example, today's IT-age customer finds out the difference between two products' specifications, costs, durability, expected life, looks, etc., and then decides which one to buy.
- **Beliefs and Attitudes** – Beliefs and attitudes are important drivers of customer's buying decision.

FACTORS AFFECTING CONSUMER DECISION MAKING PROCESS

A customer goes through a number of stages as shown in the following figure before actually deciding to buy the product. However, customers get to know about a product from each other. Smart retail managers therefore insist on recording customers' feedback upon using the product. They can use this information while interacting with the manufacturer on how to upgrade the product.



- ❖ Identifying one's need is the stimulating factor in buying decision. Here, the customer recognizes his need of buying a product. As far as satisfying a basic need such as hunger, thirst goes, the customer tends to decide quickly. But this step is important when the customer is buying consumer durables.
- ❖ In the next step, the customer tries to find out as much information as he can about the product.
- ❖ Further, the customer tries to seek the alternative products.
- ❖ Then, the customer selects the best product available as per choice and budget, and decides to buy the same.

QUESTION BANK

5 MARK QUESTIONS:

1. Retail environment – meaning.
2. Retail consumer – meaning.
3. What are the Factors affecting consumer decision making process?

10 MARK QUESTIONS:

1. Discuss about Micro and macro environmental influences.
2. Explain the Retail consumer buying process.
3. Describe the Factors influencing/affecting retail consumer.

UNIT – III
RETAIL FORMATS

RETAILING FORMATS

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



EMERGING NEW RETAIL FORMATS

The Indian retail market will get further boost in its development through the introduction of upcoming formats like (i) cash and carry format where 100 per cent FDI is permitted; and (ii) super specialty formats focusing on opening of special stores by targeting different segments of consumers. Supercentres are another format representing a combination of supermarket and discount stores. These formats try to provide the facility of one-stop-shop at a

desirable service level with genuinely affordable prices. Such formats are expected to gain rapid popularity because of their features and changing market requirements.

RETAILING FORMATS

I. Form of Ownership

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

a. Independent Retailer.

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

b. Retail Chain

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

C. Retail Franchising

Is a contractual arrangement between a "franchiser" (which may be a manufacturer, wholesaler, or a service sponsor) and a "franchisee" or franchisees, which allows the latter to conduct a certain form of business under an established name and according to a specific set of rules. The franchise agreement gives the franchiser much discretion in controlling the operations of small retailers. In exchange for fees, royalties and a share of the profits, the franchiser offers

assistance and very often supplies as well. Classic examples of franchising KR Bakery, Famous bakery and opus bakery.

D. Cooperatives

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

II. Store Strategy Mix

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

- (a) Convenience Store: Is generally a well situated, food oriented store with long operating hours and a limited number of items. Consumers use a convenience store; for fill in items such as bread, milk, eggs, chocolates and candy etc.
- (b) Super markets: Is a diversified store which sells a broad range of food and non food items. A supermarket typically carries small house hold appliances, some apparel items, bakery, film developing, jams, pickles, books, audio/video CD's etc.
- (c) Department Stores: A department store usually sells a general line of apparel for the family, household linens, home furnishings and appliances. Large format apparel department stores include Pantaloon, Ebony and Pyramid. Others in this category are: Shoppers Stop and Westside.
- (d) Speciality Store: Concentrates on the sale of a single line of products or services, such as Audio equipment, Jewellery, Beauty and Health Care, etc. Consumers are not confronted with racks of unrelated merchandise. Successful specialty stores in India include, Music World for audio needs, Tanishq for jewellery and McDonalds, Pizza Hut and Nirula's for food services.
- (e) 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.

III. Non Store Retailing

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

The major types of non store retailing are:

- a) **In Home Retailing:** Where, a sales transaction takes place in a home setting - including door-door selling. It gives the sales person an opportunity to demonstrate products in a very personal manner. He/ She have the prospect's attention and there are fewer distractions as compared to a store setting. Examples of in home retailing include, Eureka Forbes vacuum cleaners and water filters.
- b) **Telesales/Telephone Retailing:** This involves contact between the prospect and the retailer over the phone, for the purpose of making a sale or purchase. A large number of mobile phone service providers use this method. Other examples are private insurance companies, and credit companies etc.
- c) **Catalog Retailing:** This is a type of non store retailing in which the retailers offers the merchandise in a catalogue, which includes ordering instructions and customer orders by mail. The basic attraction for shoppers is convenience. The advantages to the retailers include lower operating costs, lower rents, smaller sales staff and absence of shop lifting. This trend is catching up fast in India.
- d) **Direct Response Retailing:** Here the marketers advertise these products/ services in magazines, newspapers, radio and/or television offering an address or telephone number so that consumers can write or call to place an order. It is also sometimes referred to as "Direct response advertising." The availability of credit cards and toll free numbers stimulate direct response by telephone. The goal is to induce the customer to make an immediate and direct response to the advertisement to "order now." Telebrands is a classic example of direct response retailing. Times shopping India is another example.
- e) **Automatic Vending:** Although in a very nascent stage in India, is the ultimate in non personal, non store retailing. Products are sold directly to customers/buyers from machines. These machines dispense products which enable customers to buy after closing hours. ATM's dispensing cash at odd hours represent this form of non store

retailing. Apart from all the multinational banks, a large number of Indian banks also provide ATM services, countrywide.

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

TYPES OF RETAIL FORMATS:

(a) Department Stores:

A department store offers an extensive assortment (width and depth) of goods and services that are organized into separate departments for the purpose of efficient buying, assortment, 32 promotion and above all ease of shopping for the consumer. These are the stores that offer a large variety of products and deep assortment, have several departments and also offer "good" level of customer services. The stores are organized into many separate departments such as apparel, cosmetics, accessories, household items, electronics, etc. (Levy and Weitz, 2006, p.53; Vedamani, 2006, p.35 and Sinha and Kar, 2007, p.9). Though operating in many different categories of products, these stores for some reason have been observed to mainly focus on the apparel section.

They provide a unique shopping experience to customers as a large assortment of products is provided to the customers. Generally, these stores are located within planned shopping centers or traditional up-market areas. The large range of merchandise and layout attract more customers and draw them into shopping for both essential and non-essential goods. Some of the leading department stores in India are Ebony, Shoppers Stop, Westside, Pantaloons, Lifestyle, Max, Pyramid Megastore, etc. to name a few. "Departmental stores are generally spread across 35,000 sq. ft. approximately. The average size of these stores varies from 30,000 sq. ft. to 1,00,000 sq. ft. and they hold 50,000 SKU's (Stock Keeping Units)* on an average in the store"

The different departments these stores generally deal in are women's wear, men's wear, kid's wear, household/kitchenware, footwear, health and beauty products, accessories and toys,

etc. Though the number of department stores is not very large in India but these stores are strong enough to operate as anchor tenants in shopping malls.

(b) Shopping Malls:

The boom in the retail sector is also associated with the development of malls in India. It has brought tremendous changes in the psyche of consumers. Shopping malls have emerged to fulfill the time and convenience requirement of the shoppers. Today, consumers' lifestyle is changing and the number of nuclear families is increasing where often both the partners work. Consumers have less time to shop and do comparative analysis of the products they need to buy. Malls have provided them with the facility of one-stop shopping. They can find anything from apparel to kitchenware to home furniture and décor/electronics, under one roof. Not only this, malls also provide for a separate food/eating section and entertainment/games for children, as an average customer spends at least 3-4 hours shopping there. These malls fulfill consumers' needs in a single, one-stop-shop shopping area. It is an arrangement of retail stores and places for leisure activities such as dining, entertainment, etc. A mall is generally spread over a large area of more than 2,00,000- 2,50,000 sq. ft. managed/owned by a group or an individual to whom, independent retailers pay, for getting space and other facilities.

(c) Supermarkets:

Supermarket is a format that has divisions in the form of departments and generally specializes in food, groceries/ration, and household items. It has a very limited range for non-food items. Goods are generally displayed for the easy access of the customers. Supermarkets in India are smaller in size as compared to what we have in the West. They usually cover 10,000-30,000 sq. ft. of space area and have more than 20,000 SKUs (www.dnb.co.in). The self-service attribute of supermarkets has helped them in cutting their costs to a great extent. Other factors that contribute to the cost reduction or increase in sales volume are bulk sales, low prices, large range, huge variety, self-service, and last but not the least, availability of easy parking. Food world, Food Bazaar, Subhiksha, Sabka Bazaar are some of the well-known names of supermarkets operating in India. With appealing surroundings, hygienic ambience, better product display along with the availability of a wide variety of brands, these supermarkets have changed the shopping ways of the Indian consumer who now prefers to shop at the supermarkets instead of neighborhood kirana stores.

(d) Hypermarkets:

Hypermarket format represents the features of both a supermarket and a department store. These are large formats having combination of food (60-70%) and general merchandise (30-40%) (Levy and Weitz, 2006, p.43; India Retail Report, 2007). The products they offer generally include groceries, hardware, furniture, books, electronic 34 appliances, house ware/kitchenware, apparel, etc. The large scale operations and bulk buying help to provide shoppers goods at comparative low prices, giving them value for money. This attracts not only high income groups but also middle and lower income groups as well. “With product categories on offer ranging from fresh produce and FMCG products to electronics, value apparels, house ware, do-it-yourself (DIY) and outdoor products, the hypermarkets are becoming popular formats in India”

e) Specialty Stores

A store specializing in a particular type of merchandise or single product of durable goods (that is, household goods and consumer electronics) or a range of normal complementary product categories is termed as specialty store (Levy and Weitz, 2006, p.48; Pradhan, 2006, p.65). Also known as exclusive stores, these store formats generally specialize in the merchandise they offer. The range of products, they provide is, not very expansive but they have the advantage of good depth and also provide high level of services to the customers. They are generally small in size covering space area around 500-5000 sq. ft. and 1,000.

Some examples of these stores in India can be named as Park Avenue, The Gap, Planet M, Music World, Benetton, Wills Life Style, Grasim, Lee, John Players, Van Heusen, etc. Specialty stores can be further classified into (i) Drugstores (ii) Category Killers and (iii) DIY Stores, as discussed by Sinha, 2004,

(i) Drugstores – these specialty stores specialize not only in a good range of 35 merchandise but also in health care products. Occasionally, some of the well established stores also provide assistance/consultancy on these health care products. Examples of such stores are Planet Health, Apollo Pharmacy, etc.

(ii) Category killers – these stores usually provide merchandise at discounts and specialize in a few goods. “By offering a complete assortment in a category at low prices, category specialists can ‘kill’ a category of merchandise for other retailers” (Sinha and Kar, 2007, p.15). Examples of category killer store are Nalli Silks and Royal Sporting House.

(iii)DIY (Do-It-Yourself) stores – this category of stores focuses on providing consumers with merchandise, which is generally used for making home improvements and furnishings. Consumers are generally provided with assistance or live demonstrations by the salespeople to help them select a product. Most suitable example in India is Home Town.

(f) Discount Stores:

Discount stores generally offer products at a price quite lower than the maximum retail price (MRP)/conventional price. The merchandise provided by them is of high volume and lower costs and the target consumer is the middle class. The self-service feature helps these stores in cutting down their costs. The merchandise/goods generally carried by the discount stores are also offered by department stores. These stores offer a wide variety of products such as household items, kitchenware, stationary, toys, gift items, accessories, home furnishings, apparel, beauty products, etc. Generally, discount stores are backed by popular brands merchandise from lower-to-average prices. Currently, these stores have also experimented by entering into the food category. Subhiksha can be cited as a typical example in this category.

(g) Cooperative Stores:

The consumer cooperative societies are initiated by pooling the capital investment by a 36 group of consumers. The cooperative outlets are generally owned and managed by these societies whose consumer-members share the profits also (Sinha, 2004, p.6; Bajaj, et al., 2006). The motive of establishing cooperative stores was to provide for the daily needs/basic essential commodities to the consumers at reasonably low prices and of genuine quality. These stores are effectively aiding the genuine public distribution system (PDS) initiated by the Government. The products sold at these stores normally include grocery, stationary and other office equipment, furniture etc

NON-STORE FORMATS:

These formats do not have their roots very deep in the Indian retail history. Their existence and growth is not very old yet they are still counted as one of the important factors that helped in transforming Indian retailing. They have a distinguished existence, which is free of the brick-and-mortar pattern. “In non-store retailing the sales are made to consumers without using physical stores. They are known by medium they use to communicate with their customers, such as direct marketing, direct selling and vending machines or e-tailing” (Sinha, 2004, p. 12). The

non-store retailers have secured popularity among consumers because of their 24x7 service feature. The changing lifestyle of consumers has left them with lesser time to shop. These formats cater to this need very efficiently as they are easily accessible, less time consuming, provide service over the stretched working hours etc. All these features, collectively, have worked to popularize and boost the sales through this medium. Some of the popular non-store formats in India are telemarketing, electronic retailing, direct mail catalogues, door-to-door selling, and automatic vending machines. These are briefly discussed as follows:

(a) Telemarketing

Telemarketing or popularly known as ‘television shopping’ is a format where products are sold by giving demonstrations and convincing consumers to buy it. Television Home Shopping is a retail format in which existing and prospective consumers watch the product demonstration on a TV program and then place order for the selected product by telephone mail or Internet. While featuring the product on TV, usually details like price, usage, benefits, composition, comparison with other similar products and other such features are displayed. For facilitating the placing of orders, many retailers also provide toll-free numbers. These special TV programs are also known as ‘infomercials’ and are generally 30-60 minutes long. Infomercials are TV programs or commercials that mix entertainment with product demonstrations providing detailed information regarding it and then interested consumers place orders through different mediums mentioned earlier. The products bought through this format are generally delivered at home, or as per the instructions of the customers. Teleshopping retail format is estimated to have a share worth C50 crore in the Indian retail market. The major players are Asian Sky Shop (ASS), Teleshopping Network (TSN), Teleshopping Network Marketing (TSNM), Telebrands (India) and Star CJ Alive. ASS and TSN are believed to cover a large share in the market, while the rest is shared by other market players. Asian Sky Shop is believed to be among the first to introduce television shopping in India. The major advantage of this format is that consumers are given demonstrations that portray the benefits of different products. Though this format has benefited the consumers in many ways but like other formats, it is not free from drawbacks. One of the major problems experienced by the shoppers is, waiting to watch the advertisement being telecasted on television. The real feel of the products is also missing. This acts as a limiting factor for consumers in decision making for buying a product through this format. The companies adopting the multiformat retailing generally go for this format because of its

advantageous feature of larger consumer coverage than what is possible in other formats. Telemarketing generally target consumers from lower to medium income group, and a 38 majority of the goods advertised are of routine usage. The product list generally comprises of inexpensive jewellery, apparel, cosmetics, kitchen appliances, exercise equipment, health care products, etc.

(b) Door-To-Door/Direct Selling

Direct selling is a retail format where products are sold through salespersons. The salespersons are professionally trained people in selling different products by convincing customers. They sell goods directly to the customers by contacting them at any convenient location like – at customers’ home, office or any other place as mentioned by the customer. The customers are also contacted through telephone or Internet. The salespersons convince customers by giving demonstrations, and then finalising the deal by taking the orders and then delivering the goods at home. They also take the responsibility to entertain the customers’ complaints/grievances related to the sold products. Generally, goods sold through this method include home appliances like kitchenware products, personal/healthcare products like cosmetics, multivitamins, etc., educational products like pictorial dictionaries, thesauruses and other books, and may also include services.

(c) Direct Mail/Catalogue Retailing

It is a non-store format where products are sold through direct mail, that is, through letters/brochures, etc. and catalogues – pamphlets, fliers, etc. So this format can be segmented into two parts – direct mail selling and catalogue selling. This format eliminates the role of middlemen like wholesalers and retailers; and a direct contact is made with the customers. Thus, it helps the manufacturers in reducing their selling costs. This method facilitates the consumers to select the product through mails/brochures sent/posted at their homes. It facilitates customers save their time, and is convenient also. The catalogues are distributed for general merchandise as well as for specialty products. Direct mail/catalogue retailing is suitable for specialty products where the catalogues are made on the basis of customer database collected by the company. Convenience, time saving, informative, etc. are some of the features for the success of catalogue retailing.

(e) Electronic Shopping:

Electronic shopping is a very popular non-store format where Internet is used as a medium to sell the products. This form of retailing is also known as e-tailing – a short form of electronic retailing or Internet retailing. This format has not been very popular in India but its customership is increasing at a very rapid pace with the increase in the awareness of people about internet usage, increase in the number of personal computers, and last but not the least, increasing incomes of the young population.

(f) Automatic Vending

Automatic vending through machines is a non-store retailing format, which involves selling of products through purely/fully-automated machines. Customers put coins or credit cards, enter item code and the right quantity of the product automatically comes out of the outlet of the dispensing machines. This form of retailing through machines has its origin in the western countries with ‘bubble gum balls’ as the first product (Bajaj et al., 2006, p.108). The machines were installed at places that are highly visited by people. The main advantage of this format is that it provides the convenience of round the clock shopping. This helps reducing the selling costs by eliminating the need of middlemen in the form of salespeople. Though the cost of installation of such machines was very high initially, yet as the acceptance of this format increased, the number of products sold through this mode also increased, resulting in more incomes and less costs. Some of the products sold through vending machines are beverages, potato wafers, toffees/chocolates, cosmetics, etc.

Explosion of Media:

The media industry has also been through a phase of explosive growth in the past decade. The entry of cable TV and Dish TV – one of the basic reasons for this explosion – has led the media to such a position where television cable connections exceed the telephone connections in the society. The increase in TV channels has played a pivotal role in making consumers more aware and informative. This has led to considerable changes in their lifestyles. This changed lifestyle further increased their demands and expectations from the retailers in the market. They now look for a good experience while shopping, more choice, value for money, more services, experience and convenience. All this has forced the Indian retailers to change their strategies and focus more on the overall changing environment. 2.3.6 Awakening **Rural**

Market:

The Indian rural population accounts for about 75 per cent of the country's total population and this 'still to explore' figure tempts the manufacturers, producing durables as well as goods for daily use (FMCGs). This is the new target market. With increasing subsidies and more tax benefits, the spending power graph in the rural areas has seen an increase in the past few years. Taking the opportunity to explore this new emerging market, manufacturers are adopting new strategies and new products to lure and attract these consumers

Luxurious Lifestyles:

Today's generation has grown up with more independence in taking decisions regarding the spending of their pocket money. They not only take decisions for themselves but also take part in the decisions of the elderly in the family. This liberty of spending money has also changed their spending habits. Many a time they indulge in spending in buying things that are not required. In other words, more involvement in spending leads them to non-essential buying. The leisure of shopping is always leading to possibilities of shopping mania and makes some of them 'shopaholic'. Moreover, their spending is more inclined towards trendy/branded and luxurious goods than economical spending. The young generation is more brand conscious than price conscious. They are 47 ready to spend more on trendy goods.

Online Retailing:

When a firm uses its website to offer products for sale and then individuals or organisations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing). Many electronic transactions involve two businesses which focus on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer.

Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, Pets Mart and CD Now.com. Some websites feature broad assortments, especially those launched by general merchandise retailers such as Wai-mart and Target. Some Internet only firms, notably Amazon.com are using various methods to broaden their offerings. Whatever their differences, e-retailers are likely to share an attribute. They are unprofitable or best, barely profitable. Of course, there are substantial costs in establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low

prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts. The rationale was that all available funds should be used to gain a foothold in this growing market.

Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future. Online sales represented about 1% of retail spending in 2005, but one research firm estimates that consumer purchases on the Internet will triple by the year 2010.

Which product categories are consumers most likely to buy on the Internet in the future? Consumers' shopping intentions in 2005 placed the following goods and services at the top of the list: books, music and videos, computer hardware and software, travel and apparel. Of course, given that change on the Internet occurs, these categories soon may be surpassed by others - perhaps groceries, toys, health and beauty aids, auto parts or pet supplies.

RETAIL STORE LOCATION:

Commercial retail locations are available in many different forms. Stop and think about the businesses in your town. Like most communities, there are probably older shopping areas, new bustling retail locations and some tucked away shops. Retailers have many store location factors to consider when choosing a place for their business. Here are a few of the more common types of retail locations.

Mall Space

From kiosks to large anchor stores, a mall has many retailers competing with each other under one roof. There are generally 3 to 5 anchor stores or large chain stores, and then dozens of smaller retail shops. Typically the rent in a mall location is much higher than other retail locations. This is due to the high amount of customer traffic a mall generates. Before selecting this type of store location, be sure the shopper demographic matches the description of your customers. Mall retailers will have to make some sacrifices in independence and adhere to a set of rules supplied by mall management.

Shopping Center

Strip malls and other attached, adjoining retail locations will also have guidelines or rules for how they prefer their tenants to do business. These rules are probably more lenient than a mall, but make sure you can live with them before signing a lease. Your community probably has many shopping centers in various sizes. Some shopping centers may have as few as 3 units or as many as 20 stores. The types of retailers and the goods or services they offer in the strip mall will

also vary. One area to investigate before choosing this type of store location is parking. Smaller shopping centers and strip malls may have a limited parking area for your customers.

Downtown Area

Like the mall, this type of store location may be another premium choice. However, there may be more freedom and fewer rules for the business owner. Many communities are hard at work to revitalize their downtown areas and retailers can greatly benefit from this effort. However, the lack of parking is generally a big issue for downtown retailers. You'll find many older, well-established specialty stores in a downtown area. This type of store seems to thrive in the downtown setting.

Free Standing Locations

This type of retail location is basically any stand-alone building. It can be tucked away in a neighborhood location or right off a busy highway. Depending on the landlord, there are generally no restrictions on how a retailer should operate his business. It will probably have ample parking and the cost per square foot will be reasonable. The price for all that freedom may be traffic. Unlike the attached retail locations where customers may wander in because they were shopping nearby, the retailer of a free-standing location has to work at marketing to get the customer inside.

Office Building

The business park or office building may be another option for a retailer, especially when they cater to other businesses. Tenants share maintenance costs and the image of the building is usually upscale and professional.

Home-based

More and more retail businesses are getting a start at home. Some may eventually move to a commercial store location, while many remain in the business owner's spare room. This type of location is an inexpensive option, but growth may be limited. It is harder to separate business and personal life in this setup and the retailer may run into problems if there isn't a different address and/or phone number for the business.

Classification of Retailers by Philip Kotler

Retailing includes all the activities involved in selling of goods or services directly to final consumer for personal, non-business use. A retailer or retail store is any business a enterprise whose sales occur primarily from retailing. According to Philip Kotler, retailers may

be classified into three categories namely, (i) Store retailers (2) non store retailers and (3) retail organisations.

1. Store retailers

Today, consumer can shop for goods and services in a wide variety of store. The important types of retail stores are: (1) Specialty store (2) Department store (3) Super marker (4) convenience store (5) Discount store (6) Off-price retailer (7) superstore, and (8) Catalogue showroom.

Specialty store: Specialty stores carry very limited product line with deep assortment. They offer a wide choice in terms of models, size, style, colour and other important attributes in the assortment carried.

Department store: A departmental store is a large retail outlet that handles a wide variety of lines of product. It has a wide assortment in each line and is organized into separate departments for purposes of buying, promotion, service and control. It is sometimes called mass merchandising department store e.g. Military Canteens.

Super markets: A super market is designed to serve the total needs for food, laundry and household maintenance products. It is relatively large in size. Its operation is low cost, low margin, high volume and self service in nature.

Convenience store: A convenience store is located near residential area. It is relatively small. It is kept open for long hours. Limited lines of convenience products are offered for sale. The prices charged are slightly higher.

Discount store: A discount store sells standard merchandise at lower prices. Higher volumes of sales compensate lower margins and increase the overall profitability. Discount retailing has moved into specialty merchandise store such as sport goods stores, electronics stores and book shops.

Off-price retailer: An off-price retailer sells left over goods, over runs, and irregulars obtained at reduced prices from manufactures or other retailers. Off price retailers may be of three types.

Factory outlets: These are owned and operated by manufacturers. They carry the manufacturer's surplus, discontinued or irregular goods, e.g. dinner ware, shoes, upscale apparel, etc.

Independent off price retailer: Independent off price retailers are owned and run by entrepreneurs or by divisions of larger retail corporations.

Warehouse clubs: These are otherwise known as wholesale clubs. They sell a limited selection of brand-name grocery items, appliances, clothing etc.

Super store: Super stores meet consumers total needs for routinely purchased food and nonfood items.

Hyper markets: Hypermarkets originated in France. Hyper markets combine speciality stores, limited line stores in a single level store. Product assortment goes beyond routinely purchased goods. It includes furniture, large and small appliances, clothing items, etc. Bulk display and minimum handling by store personnel are the other features present in the hyper markets. Discount is offered to customers who are willing to carry heavy appliances and furniture out of the store.

Catalogue show room: Customers order goods from a catalogue in the showroom. Then, they pick these goods up at a merchandise pickup area in the store.

II. Non-Store Retailers

Non-store retailing falls into four major categories. Direct selling, direct marketing, automatic vending, and buying services.

1. Direct Selling:

It is one-to-one selling. A sales person goes to the home of a host who would have invited friends, demonstrates the products and takes orders.

Merits of direct selling:

It has the ability to contact prospective customers directly rather than waiting for them to appear in the store. It focuses marketing efforts much more effectively in terms of selling to target customers. It is quite convenient for customers to buy. Conventional retailers can use direct marketing to complement in store retailing.

Demerits:

- ✓ Direct marketing is generally intrusive on consumer's privacy.
- ✓ Home to home direct marketing is expensive.
- ✓ Large assortment of goods cannot be carried along.

2. Direct Marketing

Direct Marketing has roots in direct mail and catalogue marketing

3. Automatic vending

Automatic vending is asked for a variety of merchandise including impulse goods like soft drinks, candy, newspapers and other products like hosiery, cosmetics, hot food etc. Vending machines are installed in factories, offices, large retail stores, gasoline stations, hotels, restaurants, etc. They offer 24 hour selling, which is self-service and merchandise is always fresh.

4. Buying services

Buying services is a storeless serving a specific clientele usually employees of a large organization. They are entitled to buy from a list of retailers who had agreed to give them discounts in return for membership.

III. Retail Organisations

Apart from retail stores which are independently owned, some sort of corporate retail organizations have emerged. The major types of corporate retailing include corporate chain stores, voluntary chains, retailer co-operatives, consumer co-operatives, franchise organisations and merchandising conglomerate.

Corporate chain store: Corporate chain store consists of two or more outlets which are commonly owned and controlled. They will be selling similar lines of merchandise. For example, department's clothing stores. They buy in large quantities at lower prices. They can afford to hire corporate specialists to deal with pricing, promotion, merchandising, inventory control and sales forecasting.

Voluntary chain: Voluntary chain consists of a group of independent retailers engaged in bulk buying and common merchandising.

Retailer cooperative: Retailer cooperative consists of independent retailers who set up a central buying system and conduct joint promotion efforts.

Consumer cooperative: Consumer cooperative is a retail form owned by its customers. In consumer cooperatives residents contribute money to open their own stores, vote on its policies, elect a group of management and receive patronage dividends.

Franchise organization: Franchise organization represents a contractual association between a franchiser (Manufacturer, wholesaler, service organization) and franchisees. Franchisees are independent business people who buy the rights – to own and operate one or more units in the franchise system.

STORE LAYOUT & DESIGNS:

STORE LAYOUT

The store is a product in its own right. The customer's product decisions can be enhanced, or ruined, by the type of planned store layout. Stores should be designed to facilitate the movement of customers, to create a planned store experience and to allow the optimum presentation of merchandise. The traffic flow of customers has been influenced through the clever design of displays, aisles, signage and overall layout. This also involves the full use of the floor area – to utilizing obscure and unproductive areas. The retailer's goal has to be a store layout which reflects the brand position of the store and ensures the most effective use of the space. It also has to be designed on a proactive rather than a passive basis. This is because the understanding of how customers shop for specific categories of merchandise should be incorporated into the way it is exhibited or displayed within an overall store layout.

Location of retails

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

Importance of location decision in retailing

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

- 1) Location choice is a major cost factor.
- 2) It involves large capital investment (the high cost of land or building if it is being purchased of recurring cost of rent if it is leased).
- 3) It affects the transportation cost structure (Distance from the manufacturer, distributor etc. affects the total cost of transportation).
- 4) It has a significant bearing on human resources cost (if the retail store is located away from central locations i.e. areas where public transport is weak the cost of employees will be higher as employees will have to be provided with transportation or paid for transport).
- 5) It is dependable on the quantum of customer traffic (depending on the number of consumers who frequent the area).

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

Influencing factors of location

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

Size of the City's Trading Area. A city's trading area is the area from which customers come to the city for shopping. A city's trading area could include its suburbs as well as its neighboring cities and towns. The Population of the Trading Area High growth in the population of an area can also increase the retail potential. The Purchasing Power of the Customers Cities with a large population of affluent and upper middle class customers can be an attractive location for stores selling high priced products such as designer clothes or even high value cars which have limited retail outlets.

Distribution Networks

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

Number, Size and Quality of Competition

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

Cost of Land, Rent and Other Retail Development Costs

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

NATURE OF RETAIL LOCATIONS

The types of retail locations can be classified as follows:

Isolated Stores

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

Unplanned Markets

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

Planned Markets

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

Retail store building, format, layout

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

Role of atmospherics (physical components) in retail business

- Enhance the image or retail outlet
- Attract new customers
- Create a define USP
- Generate excitement
- Facilitate easy movement inside the store
- Facilitate access to merchandise inside
- Ensure optimum utilization of retail space

- Ensure effective and desired presentation the merchandise
- Reduce product search time for the customers
- Reinforce the marketing communication of the outlet
- Influence the service quality experience

Exterior atmospherics

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

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

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

Interior atmospherics

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

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

QUESTION BANK

5 MARK QUESTIONS

1. Explain the Emerging new retail formats.
2. Retail store location – Meaning.
3. Bring out Store layout & designs.
4. Explain the Importance of location decision in retailing.
5. Influencing factors of location – Explain.

10 MARK QUESTIONS

1. Discuss the Nature of retail locations.
2. Explain the Classification of retailers by Philip Kotler.
3. What are the Non-store formats?
4. Discuss the Types of retail formats.
5. Describe the Retailing formats.

UNIT - IV

RETAIL PRICING

RETAIL PRICING

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

External influences on retail pricing strategy.

- 1) Customers
- 2) Suppliers
- 3) Competitors
- 4) Government

FACTORS INFLUENCING RETAIL PRICING

A. Internal Factors:

1. Cost:

While fixing the prices of a product, the firm should consider the cost involved in producing the product. This cost includes both the variable and fixed costs. Thus, while fixing the prices, the firm must be able to recover both the variable and fixed costs.

2. The predetermined objectives:

While fixing the prices of the product, the marketer should consider the objectives of the firm. For instance, if the objective of a firm is to increase return on investment, then it may charge a higher price, and if the objective is to capture a large market share, then it may charge a lower price.

3. Image of the firm:

ADVERTISEMENTS: The price of the product may also be determined on the basis of the image of the firm in the market. For instance, HUL and Procter & Gamble can demand a higher price for their brands, as they enjoy goodwill in the market.

4. Product life cycle:

The stage at which the product is in its product life cycle also affects its price. For instance, during the introductory stage the firm may charge lower price to attract the customers, and during the growth stage, a firm may increase the price.

5. Credit period offered:

The pricing of the product is also affected by the credit period offered by the company. Longer the credit period, higher may be the price, and shorter the credit period, lower may be the price of the product.

6. Promotional activity:

The promotional activity undertaken by the firm also determines the price. If the firm incurs heavy advertising and sales promotion costs, then the pricing of the product shall be kept high in order to recover the cost.

B. External Factors:

1. Competition:

While fixing the price of the product, the firm needs to study the degree of competition in the market. If there is high competition, the prices may be kept low to effectively face the competition, and if competition is low, the prices may be kept high.

2. Consumers:

ADVERTISEMENTS: The marketer should consider various consumer factors while fixing the prices. The consumer factors that must be considered includes the price sensitivity of the buyer, purchasing power, and so on.

3. Government control:

Government rules and regulation must be considered while fixing the prices. In certain products, government may announce administered prices, and therefore the marketer has to consider such regulation while fixing the prices.

4. Economic conditions:

The marketer may also have to consider the economic condition prevailing in the market while fixing the prices. At the time of recession, the consumer may have less money to spend, so the marketer may reduce the prices in order to influence the buying decision of the consumers.

5. Channel intermediaries:

The marketer must consider a number of channel intermediaries and their expectations. The longer the chain of intermediaries, the higher would be the prices of the goods.

RETAIL PRICING OBJECTIVES

1. Profit-Objective

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

2. Market Share-Objective

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

3. Competitor-Oriented Objective

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

4. Buyer-Oriented Objective

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

marketing mix, such as heavier promotion and advertising, as well as highlighting the quality and the characteristics of their offerings primarily to justify the relatively higher prices charged by them.

5. Government-Oriented Objectives

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

6. Product-Oriented Objectives

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

APPROACHES TO A PRICING STRATEGY

Price lining do retailers use a term when they sell their merchandise only at the given prices. A price zone or price range is a range of prices for a particular merchandise line. A price point is a specific price in that price range.

The pricing strategies that can be followed include:

- ✓ **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.
- ✓ **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 and 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.
- ✓ **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, e.g., bread, eggs, milk, etc.

- ✓ **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.

- ✓ **Multi-unit Pricing** In multi-unit pricing, the retailer 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.
- ✓ **Discount pricing** It is used as a strategy by outlet stores who offer merchandise at the lowest market prices.
- ✓ **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.
- ✓ **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.

The buyer may adopt either the cost-oriented or a demand-oriented approach for setting prices. 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. Alternately, 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.

RETAIL MERCHANDISING

Retail merchandisers are the link between buyers and the sales floor, ensuring the right stock is in the right place at the right time to maximise sales and margin performance. They decide which products department stores or supermarkets should stock.

A retail merchandiser may be responsible for managing the following:

- Pricing
- Visual merchandising
- Product advertising and promotion
- On-site demonstrations
- Signage
- Free samples
- Product stocking
- Inventory management
- Count integrity
- Inventory audits and verification

A good retail merchandiser needs to be aware of industry and market trends and have an excellent understanding of customer behavior and demand for their store's products.

Retail Merchandising Benefits

- 1) **Attracts customers** - Good merchandising entices the customer to come into a store and make a purchase by making the buying experience a positive one.
- 2) **Maximize space** – With the right layout, shelving, and product displays, a business can expand its retail space without having to move locations or renovate. Effective retail merchandising can make a space look more attractive and work more efficiently.
- 3) **More sales** – The bottom line is that a pleasant shopping experience that gives customers what they want at the prices they want translates into more sales.

MERCHANDISE PLANNING

Merchandise Planning then is “A systematic approach. It is aimed at maximising return on investment, through planning sales and inventory in order to increase profitability. It does this by maximising sales potential and minimising losses from mark - downs and stock - outs.”

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

Analysis is the starting point of merchandising planning. The person who is to take the buying decisions for a retail organization, must be aware of the consumer needs and wants. An

understanding of the consumer buying process is necessary. A part from this, a clear understanding is also necessary of what products are actually selling and where. Information on this can be obtained from sale records. An interaction with the sales staff is also needed, as they can offer valuable insights into conducted, magazine and trade publications and trade associations are other sources of information. The information thus gathered, needs to be analyzed. This analysis forms the basis of the sales forecast.

MERCHANDISE PLANNING INVOLVES THE FOLLOWING STEPS:

Step 1: Developing the Sales Forecast

Sales forecast is the projection of achievable sales revenue, based on historical sales data, analysis of market surveys and trends and salesperson's estimates. Sales forecast also called sales budget, forms the basis of a business plan, since the level of sales revenue affects practically every aspect of a business. Forecasting involves what the consumer may do under a given set of conditions.

A sales forecast may be made by the merchandiser based on the targets given by the top management or may be handed down by the top management itself depending on the retail organisation. A sales forecast is the first step in determining inventory needs of the product or category.

Forecasts are typically developed to answer the following questions

- How much of each product will need to be purchased?
- Should new products be added to the merchandise assortment?
- What price should be charged for the product?

The process of developing sales forecasts involves the following steps :

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

(b) Analysing the changes in the economic conditions: It is necessary to take into account the changes happening at the economic front as this has a direct link to the consumer spending patterns. Economic slowdowns, increase in unemployment levels etc, all affect business,

(c) **Analysing the changes in the sales potential:** It is now necessary to relate the demographic changes in the market to that of the store and the products to be sold.

(d) **Analyse the changes in the marketing strategies of the retail organisation and the competition:** While creating the sales forecast, it is necessary to consider the marketing strategy to be adopted by the organisation and the competition. Is there a new line of merchandise to be introduced, a new store to be opened or an existing store to be remodeled? All those factors are to be considered.

(e) **Creating the sales forecast:** Then, an estimate of the projected increase in sales is arrived at. This is then applied to the various products/categories to arrive at the projected sales figures.

Step: 2: Determining the Merchandise Requirements

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

- (1) The creation of the merchandise budget and
- (2) The Assortment Plan

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

The merchandise budget usually comprise of five parts

- a. The sales plan, i.e. how much of each product needs to be sold, this may be department wise, division wise or store wise.
- b. The stock support plan, which tells us how much inventory or stock is needed to achieve those sales.

- c. The planned reductions, which may need to be made in case the product does not sell.
 - d. The planned purchase levels, i.e. the quantity of each product that needs to be procured from the market.
 - e. The gross margins (the difference between sales and cost of goods sold that the department, division or store contributes to the overall profitability of the company.)
- b) The assortment plan details the merchandise that will be sold in each product category, i.e. the complete mix of products that will be made available to the consumer. This is the next stage, after having determined the money available for the inventory.

Step 3: Merchandise control – The Open to Buy:

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

- (a) Limits overbuying and under buying.
- (b) Prevents loss of sales due to unavailability of the required stock.
- (c) Maintains purchases within the budgeted limits.
- (d) Reduces markdowns which may arise due to excess buying.

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

Step 4: Assortment Planning:

Assortment planning is extremely important and challenging for retailers. Assortment has been defined .by Van Herpen as the combination of all products made available in a store” and ‘a set of products offered within a product category’. These products form a set because they share similar physical characteristics. **Assortment Planning** involves determining the quantities of each product that will be purchased to fit into the overall merchandise plan. Details of colour, size, materials, brand etc. have to be specified. The main purpose of creating an assortment plan is to create a balanced assortment of merchandise for the customer. Various factors affect the assortment planning process. The first among these factors is the type of merchandise that is to

be stocked in the retail store. Merchandise may be classified as basic or staple merchandise, fashion, convenience or specialty goods.

Step 5: The Range Plan:

The aim of the range plan is to create a balanced range for each category of products that the retailer chooses to offer. The process of range planning ensures that the goals of the merchandise plan fall into specific lines, and many a times, the SKUs. Good range planning should essentially take care of the following

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

Step 6: The Model Stock Plan:

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

KEY AREAS IN MERCHANDISE MANAGEMENT

Modern merchandise management systems are key to profitability for any retailer. As retailing becomes more of an Omni Channel business, merchandise management has grown increasingly challenging and processes have become more complex. Here are 10 key considerations for retailers to evaluate in order to optimize practices and help ensure the profitability of all-channel operations.

➤ Business Intelligence

One integrated source of merchandise management and analytics to support buying, pricing, inventory management and inventory valuation to create a fully-aligned experience across all retail channels to satisfy customer demand is most beneficial to effectively drive growth and maximize profits.

➤ **Financial Controls**

A merchandise management solution with financial controls in the areas of granular-level inventory management, sales audit and invoice matching will provide comprehensive functionality, security and superior audit ability.

➤ **Price Intelligence**

In order to be competitive, a price intelligence tool is needed to provide retailers with the ability to analyze industry pricing and obtain information on current market prices to best optimize pricing and measure the effectiveness of a competitive pricing strategy to ultimately improve sales.

➤ **OmniChannel-enabled**

As consumers around the world have the ability to engage in commerce across multiple channels, they expect to be able to shop anytime and anywhere with a seamless and personalized experience across all channels. Adopting a customer-centric approach across all channels is a major undertaking. In order to become fully Omni Channel-enabled, retailers must ensure the next-generation business and technology platforms are implemented.

➤ **Flexible and Scalable**

As a retailer grows, the flexibility and the ability to scale without spending a large sum of money to expand a merchandise management system is vital. Without flexibility in a merchandise management system, market opportunities and long term strategy may come to a halt through long and costly system implementations.

➤ **Multiple Deployment Options**

In order to make the most of a software investment, deployment must work in a manner that is best suited for each company's needs. Some companies may choose deployment in the cloud while others choose on premises. Therefore, a solution that offers the flexibility to satisfy the needs of a business is important.

➤ **Real-time Data**

In order to gain a competitive advantage over the competition, the speed of real-time analytics will provide an instant understanding what is happening in a retail environment soon after it occurs. Access to real-time data has value in the form of real profits and improved customer relationships but the entire process needs to happen near real time in order to be successful.

➤ **Mobile-enabled**

With products flying in and out of DC's, warehouses, and stores, tracking all the moving pieces can be overwhelming. Taking control of inventory with mobile-enabled tracking tools is important. Having immediate access to accurate, timely inventory information anywhere, anytime not only streamlines internal processes but can also help when discussing orders with customers on the sales floor, attending meetings or trade shows, visiting suppliers, or while traveling.

➤ **Time to Deploy**

For major systems, it may take years to have any operational system up and running. However, when a merchandising system needs to be put to immediate use, waiting several months or years is not an option. Increasingly more attention is being paid to cost-cutting measures by controlling the costs with systems that have enhanced reliability and faster deployment time.

➤ **Total Cost of Ownership**

The cost of support and maintenance of a given merchandising system can exceed the cost of the system itself by several times. In today's economy, businesses are striving to cut costs by obtaining systems that have a lower cost of ownership. Reducing the cost of ownership of a new merchandising system will result in higher Return on Investment (ROI).

SERVICE RETAILING VS. PRODUCT RETAILING

Products are tangible in nature, whereas services are intangible in nature. Hence, various aspects such as quality, timeliness, behaviour, and knowledge of the service delivery professional, service customizations as per the requirement of the customer and use of technological support for improving key processes and enhancing the consumer experience, etc play a crucial role in determining the success of an organization involved in services.

- ❖ In the case of Product Retailing, the governing factors are the cost as well as the quality of the products. On the other hand, in the case of service retailing the factors which determine the success of services are timeliness and the overall attitude and conduct of the service providers.
- ❖ In Product Retailing the relationship between the consumer and the retailer is developed only when the consumer pays frequent visits to the outlets. On the other hand, in the case

of relationship, the relationship between the customer and the service provider is established from the start itself.

- ❖ Products are tangible and can be very well stored, whereas, services cannot be stored due to its intangibility.
- ❖ Another factor which distinguishes product retailing from service retailing is standardization. Standardization is possible in case of product retailing but not possible in case of service retailing due to the human element involved in the delivery of services.
- ❖ Transfer of ownership is possible in case of product retailing but not for service retailing. Once the product is purchased by the consumer, the ownership of the product gets transferred from the retailer to the consumer. But, in the case of service retailing the consumers are only the end users of the services but the ownership remains with the service providers.

RETAIL BRANDING

Retail branding requires strategy, which is the tactics a company adopts to arouse consumers' interest in its brand. According to the marketing website Design Damage, strategy starts when a company's marketing department defines a brand that embraces its business model.

KEY CHALLENGES IN RETAIL BRANDING

In today's world, retail branding implies addressing the following two key challenges:

- 1) **Online vs. offline brand expectations:** Consumers have altogether different expectations when they engage with brands online and offline. This is equally true for retailers. When a consumer is researching or buying a product from an online channel, his or her primary needs are convenience, ease of research (compare, contrast, read feedback & reviews), and the ability to easily access a wide range of products to take a value-driven decision. In an offline channel (physical store), the primary consumer needs are to physically touch and feel the product, to satisfy a specific shopping occasion and to get a more in-depth evaluation of the product. In order to satisfy these different consumer needs, it becomes imperative that branding needs to be consistent across this wide variety of needs and channels.
- 2) **Technology and sensory driven expectations:** When engaging with brands in online channels, consumers are looking for brand experiences that seamlessly transition between platforms and technologies (desktops, laptops, tablets, smart

phones, etc.). Superior functionality and ease of use of online channels is a key expectation of consumers, which leads to the need for impressive visual features. In the physical world, consumers are expecting to be impressed by holistic brand experiences. This has been the trigger behind retail stores morphing into experience centers – think Samsung Experience Stores – or even places where you only experience brands (and not having the need to buy them).

These diverse, and sometimes contrasting, needs have defined the evolution of retail branding as a discipline. The successes of brands like Apple, Starbucks, Hermes, Samsung and Disney are largely driven by the superior retail experience they provide. Premium and luxury brands design physical retail touch points that have the ability to propagate the same exclusivity perception that the brands stand for. This is not only true for single-brand retailers (like the examples above) but also for multi-brand retailers.

Multi-brand retail is a massive segment, which includes all supermarket and grocery chains. Branding in this segment has also evolved beyond the mundane, but there is still a significant scope for improvement. Multi-brand retail is predominantly a ‘price-tier’ driven segment, but those who have been successful have evolved their branding beyond price-based positioning. Opening more stores as a strategy for growth is increasingly becoming a thing of the past, with pressure from e-commerce and the rising costs of maintaining an expansive physical presence. The focus has now moved to aspects of trust, community, sustainable sourcing, honesty, choice and value for money.

BEST PRACTICES FOR SUCCESSFUL RETAIL BRANDING

Regardless of whether it is single-brand or multi-brand retail, strong branding in the retail industry requires a comprehensive understanding and appreciation of the following key aspects:

1. Understanding the evolution of consumer decision journeys: The fundamental premise of branding is to put forward a differentiated positioning at key stages of the consumer decision journey. The way consumers engage with retailers has seen a fundamental shift in the last few years. The decision journey is highly unstructured and non-linear, there are multiple points of infraction and brands can enter and exit the consideration set at any stage of the journey. For effective retail branding, an in-depth understanding of these decision journeys is critical. Branding needs to be strong and consistent across all touch points, convey a

differentiated positioning and hold the consumer within its universe (i.e. within online and offline channels).

2. Keeping on top of global trends: We live in a world where our lives are influenced more by events and people living thousands of miles away from us, rather than our next-door neighbours. The emergence of social media platforms has magnified the pace at which remarks become opinions, opinions become thought-pieces, thought-pieces become voices and voices become trends. Retailers need to stay on top of these trends to be relevant shopping destinations for consumers. The age old positioning of Zara as the doyen of fast fashion is increasingly under threat from startups that have disrupted traditional fashion retail business models. Trends will impact the lines that a retailer should carry. Branding needs to be strong enough to encompass these changes and keep a retailer relevant as its product lines evolve.

3. Embracing technology driven capabilities: As retailers look at creating and delivering experiences, embracing technology as an enabler of a strong brand is important. The use of digital signs is now commonplace in retail stores, but there is far greater potential. In special Starbucks Reserve stores, arty images are projected on to walls. Each Starbucks Reserve store in the world is designed differently to provide a “coffee theater” experience. Luxury brand Hermes created a virtual e-store to showcase its silk squares, shawls, twills, scarves and stoles collections. Technology is becoming a core element of branded experiences and retailers need to embrace more of it in their branding strategies.

4. Political boundaries do not exist: Retail is now a seamless global phenomenon. E-commerce has rapidly dissolved the barriers of purchasing and experiencing global brands. Retailers like Amazon and Alibaba have redefined the way global retail business models need to be developed. Consequently, any retail branding initiative needs to embrace a global mindset right from the very beginning. As traditional retailers develop and implement online channels, it is critical to understand the fact that online does not have the limitations of physical retail. Alibaba, for example, has the potential to enter any global market using the scalability factor of its platform. Amazon is rapidly expanding globally using a consistent strategy comprising of a brand name with strong equity, expertise in mastering local level logistics and operational challenges and investing heavily in emotional and functional brand building. We still have not seen similar success levels for traditional physical retailers, which illustrates the challenges of managing infrastructure at a global level.

5. Personalisation is the new strategic differentiator: Today's consumers are spoiled with choices and have more power over where and when they want to exercise these choices. Retail brands that do not invest in creating individual experiences risk being pushed down the consideration set or even out of it. Consumers are now expecting personalised experiences even when they are shopping at value or discount-pricing retailers. Successful branding strategies need to be able to provide such experiences at each and every consumer touch point. The retail industry has embraced big data analytics capabilities to create such experiences, but the link between data analytics and branding continues to be weak. There are significant opportunities to revamp loyalty card programmes also, which have immense potential to strengthen brand equity.

Although digital is a potent and disruptive force, retailers should be able to see beyond the glitz and glitter of digital. It is not necessary for every branding initiative to have a digital element. Branding should bring out the strength of the retailer in a differentiated manner, which should also be hard to copy. If the retailer in question has had a strong physical presence, any branding initiative should look at strengthening these assets first (and not rely too much on online channels). Online retailers are experimenting with high-end technology-enabled delivery and fulfilment mechanisms, which essentially act as differentiating platforms (in the absence of any differences in product line ups). Traditional retailers should be careful not to copy positioning platforms for which their brand is a poor fit. It will do more harm than good to brand equity. But one category dynamic that traditional retailers should be aware of is the venturing of online retailers into mass-market product lines (e.g. groceries, FMCG / CPG etc.).

RETAIL BRANDING STRATEGY

The challenge of modern retail branding strategies is primarily around maintaining consistency of positioning and communication across all possible touch points. Touch points have proliferated from mere physical stores to online buying channels available on multiple platforms and devices (desktops, laptops, tablets and smartphones). In addition to buying channels, retailers also need to maintain a continuous online presence for visibility and reinforcement of key positioning elements. Fragmentation and proliferation of media vehicles and the emergence of social media as e-commerce platforms (Twitter, Instagram, Pinterest, Snapchat, Tumblr etc.) means that retailers have more touch points to manage. This multiplicity of touch points makes it more difficult for retailers to have a consistent brand image and identity.

Retail branding in the digital age needs to be anchored in a deep understanding of consumer behavioural patterns and the ability to identify real disruptive trends over fads and one-night wonders. For example, a higher level of consciousness towards health and wellness is a trend, while the fact that everyone is looking for pink headphones may be a fad. Strong retail brands, which have survived the test of time, have been purposefully built over time guided by a strong set of principles. These principles define the vision of the brand, and are immune to the presence and absence of digital commerce platforms. Retailers need to always stay close to their vision, even when it is only a small-scale positioning refresh (and not a large scale brand transformation).

RETAIL MARKETING MIX

Retail marketing mix has seven parts, each directed toward the target audience. The way you design your marketing mix affects your value proposition and the way customers perceive your store. It will vary based on the type of consumers you serve and the market in which you operate. Finding the correct marketing mix is an important part of positioning your retail outlet to stand out from competitors.



- ✓ **Promotion** – Triggers points that capture the interest of people by enticing them with irresistible offers. The how you capture them becomes the way you advertise and the kind of campaign you want to run. In Wikipedia it says ‘Promotion refers to raising customer awareness of a product or brand, generating sales, and creating brand loyalty.’ Refer to them for more details on how to achieve this.
- ✓ **Place** – Relates to where you intend on offering your products, along with the avenues of how people can reach you. This can be from a physical location to being online or having a sales person on the road.
- ✓ **Price** – This can be determined by supply and demand or quality versus quantity. It’s where you determine the value of your products and price accordingly.
- ✓ **Product** – By definition on Wikipedia it say that ‘In marketing, a product is anything that can be offered to a market that might satisfy a want or need.’ The common term for products in a retail market is called merchandise and the way your products are laid out refers to merchandising.
- ✓ **Physical evidence** – A great way to describe physical evidence is by relating it to the material part of what the customers see. This can include the aesthetics of in and outside your business, signage, uniforms, and stationery, business cards and advertising material; along with everything else the customer visually comes into contact with, regarding your business.
- ✓ **Process** – A business process is best described as the activities that produce a specific service or product for customers: Source – Wikipedia.
- ✓ **People** – Your people, being your employees need to be educated on the products or services you provide, along with being able to fit into your organisational culture that your business has created. Customers have to have their needs met in regards to getting great customer service from your employees.

QUESTION BANK

5 MARK QUESTIONS

1. What is mean by Retail pricing?
2. Explain about Retail merchandising.
3. Merchandise planning – Meaning.
4. Difference between Services retailing vs. Product retailing.
5. Define - Retail branding.
6. What are the Key challenges in retail branding?
7. Retail branding strategy – Explain.
8. Retail marketing mix – Explain.

10 MARK QUESTIONS

1. Discuss the Factors influencing retail pricing.
2. What are the Retail pricing objectives?
3. Describe the Approaches to a pricing strategy.
4. What are the steps involved in the Merchandise planning?
5. Explain the Key areas in merchandise management.
6. Discuss the Best practices for successful retail branding.

UNIT – V

RETAIL CHANNEL MANAGEMENT

RETAIL CHANNEL MANAGEMENT:

Channel management is the process of reaching the customer with your products and services. A channel can be a method of selling, a method of delivering your obligations to the customer.

Channel management helps in developing a program for selling and servicing customers within a specific channel. The aim is to streamline communication between a business and the customer. To do this, you need to segment your channels according to the characteristics of your customers: their needs, buying patterns, success factors, etc.

ELEMENTS OF RETAIL CHANNEL MANAGEMENT



➤ **Channel Strategy**

Planning your sales and distribution channels. For example, developing plans to improve your ecommerce presence or expand sales into new regions.

➤ **Channel Architecture**

The basic structure of your channels such as:

Producer → wholesaler → retailer → customer

Producer → retailer → customer

Producer → value added reseller → customer

roducer → customer

➤ **Channel Design**

The detailed planning and implementation of new channels. For example, developing a partnership program for value added resellers.

➤ **Sales Management**

The process of managing sales teams and partners such as incentives and performance management.

➤ **Sales & Operations Planning**

Matching what you are producing to sales forecasts and demand generation efforts such as promotional campaigns. For example, scheduling increased production at your factories to support a sales event in your retail and ecommerce channels.

➤ **Partner Relationship Management**

Developing, motivating, monitoring and managing the performance of partners.

➤ **Channel Conflict**

Channel conflict is competition between channels that is perceived as counterproductive or unfair. For example, ecommerce that undercuts your retail partners such that they become unprofitable. Channel management involves careful design of channels to avoid such conflicts such as a fashion brand that allows retail locations to have new items weeks before they are available on ecommerce to compensate for their higher cost base.

➤ **Brand Experience**

Developing a valuable brand experience across channels. This includes customer service and the design of locations both physical and digital.

➤ **Promotion**

Coordinating promotional campaigns across channels such as pricing and advertising for a sales event.

➤ **Pricing**

Channel based pricing strategies. For example, a fashion retailer with premium shops in luxury shopping areas and outlet shops in suburban locations as a means of price discrimination.

➤ **Revenue Management**

The process of optimizing your revenue for available inventory such as an airline that sells full priced tickets online and gives bulk discounts to tour operators when they need to fill seats.

➤ **Distribution**

The process of delivering your obligations to customers and channel partners. This includes reaching the end-customer with your products, services, brand experience and customer service. It also includes logistics such as product returns.

RETAIL CHANNELS

Retail is at the end of the supply chain. The supply chain begins with raw materials and ends with finished goods being sold to people like our guy that needs a shirt. There are variety of places and methods for buying finished goods.

Retail Stores - Our man in search of a shirt could certainly find one in several different types of stores. There are department stores, specialty clothing stores, warehouse stores (i.e. Costco or Sam's), and discount stores (i.e. Ross, T.J. Maxx). The benefit of going to a store is immediate satisfaction; no waiting for shipping.

Online Retail - If our man looking for a shirt knows what he wants and wants to check pricing, he might go to a site like Amazon and see if they offer it. The local store could also be out of the shirt, but it is in stock at the store's online site. Sometimes buyers look online versus going to a store simply for convenience, especially if there is low-cost or free shipping.

Catalog Sales - Catalog retailers provide product information to consumers through a mailed catalog and a website. Customers can order over the phone or online, and goods are shipped directly to the customer's doorstep. Catalogs give the customer the advantage of seeing what the product looks like as opposed to going to the store to see it.

CHANNEL MANAGEMENT PROCESS

Evidence suggests that a channel should be managed just like the product, promotion, and pricing functions. This channel management process contains five steps.

1. Analyze the Consumer
2. Establish the Channel Objectives
3. Specify Distribution Tasks
4. Evaluate and Select from Channel Alternatives
5. Evaluating Channel Member Performance

OBJECTIVES OF SALES PROMOTION:

- a. To introduce new products:** Have you ever heard about distribution of free samples? Perhaps you know that many companies distribute free samples while introducing new products. The consumers after using these free samples may develop a taste for it and buy the products later for consumption.
- b. To attract new customers and retain the existing ones:** Sales promotion measures help to attract or create new customers for the products. While moving in the market, customers are generally attracted towards the product that offers discount, gift, prize, etc on buying. These are some of the tools used to encourage the customers to buy the goods. Thus, it helps to retain the existing customers, and at the same time it also attracts some new customers to buy the product.
- c. To maintain sales of seasonal products:** There are some products like air conditioner, fan, refrigerator, cooler, winter clothes, room heater, sunscreen lotion, glycerin soap etc., which are used only in particular seasons. To maintain the sale of these types of products normally the manufacturers and dealers give off-season discount. For example, you can buy air conditioner in winter at a reduced price. Similarly you may get discount on winter clothes during summer.
- d. To meet the challenge of competition:** Today's business faces competition all the time. New products frequently come to the market and at the same time improvement also takes place. So sales promotion measures have become essential to retain the market share of the seller or producer in the product-market.

RETAIL SALES PROMOTION TECHNIQUES

Sales promotion techniques are known as promotion tools and the mode of their application is known as sales programme. These tools and programmes are divided under two heads:

- A. Tools and programmes for consumers sales promotion.
- B. Tools and programmes for dealer / distributor sales promotion

(A) TOOLS AND PROGRAMMES FOR CONSUMERS SALES PROMOTION:

These tools and programmes are as follow:

(i) Sample:

Usually called consumer sample, free samples and given to consumers to introduce a new product or to expand the market. The consumers can try the product.

(ii) Demonstrations or instructions:

These are instructions given to educate the consumers about using the product. This method may be used in products like Vacuum cleaner.

(iii) Coupon:

It is a certificate that reduces the price. When a buyer gives a coupon to the dealer or retailer he gets the product at lower price. For example in DCM coupon system if regular price is Rs.20, with a coupon it is Rs.18. These are also known as discount coupons. Coupons are also accepted as cash by retailers.

(iv) Money-refund orders:

The technique indicates refund of full purchase price if the buyer so wants. It is helpful in the introduction of a new product. Refund offer creates additional interest and increases sales considerably. It is a good device for creating new user and to strengthen the brand loyalty.

(v) Premium (gift) offers:

These are temporary price reductions, which appeal to bargain instinct, e.g., instant coffee sold in carafes by one company was very successful. Towels, dinner ware, hair-brushes, keychains, artificial flowers, ball pens, toilet soaps, blades, were given as inpack premiums. Attractive reusable jars costing separately say Rs. 12 may be given as at an extra charge of Rs. 4 only. Liril gave a soap box almost free with two soap cakes.

(vi) Price-off:

The price off label is printed on the package, e.g., Rs. 4 offers a Brooke Bond tea pack of 500 grams. It gives a temporary discount to the consumers.

(vii) Contests or quizzes:

These are held to stimulate consumer's interest in the product. In these contests, and quizzes, participants compete for prizes on the basis of their skill or creative ideas. In Sweepstakes, they submit their names to be included in a draw of prize winners. This type of sales promotion is not a lottery because there is chance or luck, prizes are offered and a payment to participant is there.

(viii) Trading stamps:

Trading or Bonus stamps are issued by retailers to customers who buy goods from there. The number of stamp given to a buyer depends upon the amount of purchases made by him. For instance, in India Roman Bonus Stamps are issued at the rate of 2-1/2 percent of the purchase amount. These stamps are given free of charge and the customers can redeem them to obtain products out of the specified list. This technique induces customer to buy their requirements from the retailers who offer such stamps. The purpose is to increase customer loyalty.

(ix) Fairs and exhibitions:

Trade shows, fashion shows or parades, fairs and exhibitions are important technique/tools of sales promotion. They provide a forum for the exhibitions or demonstration of products. Free literature can be distributed to introduce the firm and its products to the public. Fairs and exhibitions are organized usually by big firms or trade associations. At these fairs and exhibitions, business firms are allotted stalls where in they display their products. Fairs and exhibitions have wide appeal as several people visit there. Customer can be attracted through gifts, special concessions and free demonstrations of technical and speciality products. They provide an opportunity to the visitors to observe the competing products and help to promote sales. For instance, the Trade Fair Authority of India organises Trade Fairs of various types in New Delhi. The National Book Trust organises World Book Fair, where publishers of all over the world are invited to display their publications. Sometimes sales conventions or conferences of dealers are held. Producers of garments often organise fashion shows to promote their products.

(x) Public relations activities:

These include greetings or thanks in newspapers, donating space for noble causes, offer of Privileged Citizen Card, etc. Their purpose is not to create immediate demand or to increase sales. They are designed to create a good image of the firm in the society.

(xi) Exchange scheme:

This technique offers to exchange the old product with new in payment of a fixed amount which is less than the original price for example, exchange of old Black & White Television for Colour Television by paying rupees 8000 only (original price is rupees 10000) was offered by a particular producer of colour TV sets.

(B) TOOLS FOR DEALERS/DISTRIBUTORS SALES PROMOTION:

These tools and programmes are:

(i) Free display: There is provision of free display of material either at the point of purchase (POP) or at the point of sale (POS), depending on one's view point. Display reaches consumers when they are buying and actually spending their money.

(ii) Retail demonstrations: These are arranged by manufactures for preparing and distributing the products as a retail sample, for example, Nescafe Instant Coffee was served to consumers for trying the sample on the spot of demonstration regarding the method of using the product.

(iii) Trade deals: These are offered to encourage retailers to give additional selling support to the product, e.g., tooth paste sold with 30% to 40% margin.

(iv) Buying allowance: Sellers give buying allowance of a certain amount of money for a product bought.

(v) Buy-back allowance: It is offered to encourage repurchase of a product immediately after another trade deal. A buy back is a resale opportunity.

(vi) Free goods: Seller gives free goods, e.g., one piece free with two, or two pieces free with 10, are common free deals.

(vii) Advertising and display allowance: These are also offered to retailers to popularise the product and brand name of the manufacturer.

(viii) Contents: Sales contests are held for salesmen.

(ix) Dealer loader: A gift for an order is a premium given to the retailer for buying certain quantities of goods or for special display done by the retailer.

(x) Training for salesmen: Dealer and distributor training for salesmen, which may be provided to give them a better knowledge of a product and how to use it. Dealer sales promotion provides the selling devices. Sales promotion devices at the point of purchase inform, remind, and stimulate buyers to purchase products. People who see these devices are in a buying mood and thus they can be easily persuaded to buy those products. Tell tags are informative labels affixed on the product, describing in detail the features of the product and its unique selling points. Counter, top racks, posters, mechanised signs are other point-of purchase displays.

RETAIL ADVERTISING

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

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

Purposes of Retail Advertising

- (a) **Selling the Establishment:** To sell the establishment, attract customers to the premises and, in the case of a shop, increase what is known as ‘store traffic’, i.e, trying to increase the number of people passing through the shop. If they can be encouraged to step inside – they may possibly buy something which they would not bought otherwise.
- (b) **Selling exclusive or own labeled goods:** Some retail distributors are appointed as dealers for certain make. Example is some supermarkets sell their ‘own labelled goods’ which manufacturers pack in the name of the supermarket. Some large departmental stores have a special brand name for all their products, invariably they will be cheaper and they complete with national brands. Competition between national and own-label brands is intense, and there is always a risk that the national brands will be de-listed in favour of a store’s own labeled products. Own label products are usually made to the retailer’s own specifications or recipes, and are not simply replicas of existing national brands. All the retail outlets are likely to use advertising to promote sale of their stock.
- (c) **Clearance Sale:** To clear the stock of the shop, such as promoting products which are seasonal, special offers could be made. Examples are sale of certain products during winter or summer. Sale of air conditioners during winter and water heaters during summer. Generally, the retailer works in a narrowly limited geographic market. This

allows him to focus his advertising messages to the likes, preferences and buying habits of targeted audience. The retailer advertises to precipitate relatively quicker response to most of this local advertising, while the national advertiser's prime interest is in establishing long run favorable attitudes and building brand equity.

OBJECTIVES OF ADVERTISEMENT

Advertisement is a mass communicating of information intended to persuade buyers to buy products with a view to maximizing a company's profits.

- The objectives of advertising are:
- It is a mass communication reaching a large group of consumers.
- It makes mass production possible.
- It is non-personal communication, for it is not delivered by an actual person, nor is it addressed to a specific person.
- It is a commercial communication because it is used to help assure the advertiser of a long business life with profitable sales.
- Advertising can be economical, for it reaches large groups of people. This keeps the cost per message low.
- The communication is speedy, permitting an advertiser to speak to millions of buyers in a matter of a few hours.
- Advertising is identified communication. The advertiser signs his name to his advertisement for the purpose of publicizing his identity.

CLASSIFICATIONS OF ADVERTISING

The classification of advertisement is directly related to the advertising plan. By developing an effective advertising plan, there is a possibility of increased positive return on advertising investment regardless of the amount spent.

1. Classification Based on the Media Used

Any medium can be effectively used for advertising. Based on this criteria there can be several branches of advertising. Mentioned below are the various categories or types of advertising:

- **Print Advertising: News papers, Magazines, Brochures, Fliers**

The print media have always been a popular advertising medium. Advertising products through news papers and magazines is a common practice. In addition to this, print media also

offers options like promotional brochures and fliers for advertising purposes. The news papers and magazines sell the advertising space according to the area occupied by the advertisement, the position of the advertisement (front page/ middle page), as well as the readership of the publications. The price of the print advertisements also depend on the supplement in which they appear.

➤ **Outdoor Advertising: Bill boards, Kiosks, Trade Shows and Events**

Outdoor Advertising is also a very popular form of advertising, which makes use of several tools and techniques to attract the customer outdoors. The most common examples of outdoor advertising are bill boards, Kiosks, and also several events and trade shows organized by the company. The Bill board advertising has to be really terse and catchy in order to grab the attention of the passers by. The Kiosks not only provide an easy out let for the company products but also act as an effective advertising tool to promote the company's products. Organizing several trade shows and events by the companies or sponsoring them, also makes an excellent advertising opportunity.

➤ **Broad cast Advertising: Television, Radio, and the Internet**

Broad cast Advertising is a very popular advertising medium that constitutes several branches like television, radio or the internet. Television advertisements have been very popular ever since they have been introduced. The cost of television advertising often depends on the duration of the advertisement, the time of broad cast(peak time/prime time) and of course the popularity of the television channel on which the advertisement is going to be broadcasted. The radio might have lost its charm owing to the new age media, but the radio remains to be the choice of small scale advertisers. The radio jingles have been very popular advertising media and has a large impact on the audience.

2. Classification Based on Geographic Area

Marketers advertise to the consumer market with national and retail/local advertising which may stimulate primary or selective demand.

➤ **Global Advertising**

International advertising is conceived as a response to global marketing enabling the agency to channelize advertising from transnational corporations into transnational media. The same product brand that was once sold nationally can now be sold to the whole world backed by

the same advertising. E.g. Coke has been using the same standardized advertising in all countries. Pepsi adopts the common theme to the national culture.

➤ **National Advertising**

National advertising is done by large companies on a nation wide basis or in most regions of the country. Most of the advertisements of well known companies and brands that are seen on prime -time television or in other major national or regional media are examples of national advertising. The goals of national advertisers are to inform or remind consumers of the company or brand about its features, benefits, advantages, or uses and to create or reinforce its image so that consumers will be predisposed to purchase it.

➤ **Retail/Local Advertising**

Advertising is done by retailers to local merchants to encourage consumers to shop at a specific store, or use a local service or patronize a particular establishment. Retail or local advertising tends to emphasize specific patronage motives such as price, hours of operation, service, atmosphere, image, or merchandise assortment. Retailers are concerned with building store traffic, so that their promotions often take the form of direct action advertising designed to produce immediate store traffic and sales.

3. Classification based on Target Audience

➤ **Consumer Advertising**

A very substantial portion of total advertising is directed to buyers of consumers products who purchase them either for their own use or for their household's. The fact that the buyer of consumer items are generally very large and are widely distributed over a large geographical area enhances the importance of advertising as a marketing tool. The preponderance of such advertising can be seen by looking into any general print media, such as news papers, magazines etc. These advertisements are intended to promote the sale of the advertised products by appealing directly to the buyers/consumers. Such advertising is called consumer advertising.

➤ **Business-to-Business Advertising**

Advertising targeted to individuals, who buy or influence the purchase of industrial goods or services for their companies is known as business-to- business advertising. Industrial goods are products that either become a physical part of another product(raw material or component parts), or are used in manufacturing other goods(machinery), or that are used to help a company

conduct its business (eg office supplies, computers) business such as insurance, travel services, and health care are also included in this category.

➤ **Professional Advertising**

Advertising targeted to professionals such as doctors, lawyers, dentists, engineers, or professors to encourage them to use a company's product in their business operations. It might also be used to encourage professionals to recommend or specify the use of a company's product to the end-users.

➤ **Trade Advertising**

Advertising targeted to marketing channel members such as wholesalers, distributors, and retailers are regarded as trade advertising. The goal of trade advertising is to encourage channel members to stock, promote, and resell the manufacturers branded products to their customers.

➤ **Industrial Advertising**

Advertisements directed towards industrial users(buyers of raw materials, component parts, machineries etc) are regarded as industrial advertising. i.e. consumers who purchase goods for their industrial use and advertisements directed towards these consumers are known as industrial advertising.

➤ **Agricultural Advertising**

Advertisements targeted towards the farmers for the purchase of seeds, tractors, and other agricultural implements are regarded as agricultural advertising.

4. Classification based on Purpose

➤ **Product or non-product**

A product is a thing or service for which customers will exchange something of value. The purpose of product advertising is to sell the advertisers goods or services. Services are intangible products. They include financial, legal, medical and other recreational services. Non-product advertising constitutes institutional or corporate advertising in which the advertiser tries to polish its image or influence public opinion about an issue. Here the aim is not to sell something, but just to let the public know that such an organization exists.

➤ **Commercial or Non-commercial**

Commercial Vs Non-commercial advertising is very easy to understand. If the idea of advertising is to make profits then it is commercial advertising. If the idea of advertising is not to

make profits then it is non commercial advertising. Most of the advertisements we see are commercial.

➤ **Primary-Demand and Selective- Demand advertising**

Primary demand advertising stimulates the need for a particular category of products and the aim is not to sell one brand. Diamonds forever was used to arouse the need for diamonds and not to sell the brand of De Beers. Once the need for particular category is established, selective demand advertising comes into picture. These advertisements concentrate on a particular brand of a product and try to promote it. De Beers, after it made diamond jewellery popular, went on for selective demand advertisements.

➤ **Direct Action or Indirect Action Advertising**

Sometimes advertisements are designed to get the audience response immediately. These types of advertisements are called direct-action advertisements. Typically these types of advertisements carry a toll free number and sales promotion incentives. Indirect-action advertising is done primarily to build awareness of the product.

5. Other types of Advertising

➤ **Covert Advertising**

Covert Advertising also known as “guerrilla advertising” is a unique kind of advertising in which a product or a particular brand is incorporated in some entertainment and media channels like movies, television shows or even sports. There is no commercial in the entertainment but the brand or the product is subtly (or sometimes evidently) showcased in the entertainment show.

➤ **Surrogate Advertising- Advertising Indirectly**

Surrogate Advertising is prominently seen in cases where advertising a particular product is banned by law. Advertisements for products like cigarettes or alcohol which are injurious to health are prohibited by law in several countries and hence these companies have to come up with several other products that might have the same brand name which indirectly remind people of the cigarettes or beer bottles of the same brand.

➤ **Public Service Advertising- Advertising for social causes**

Public Service Advertising is a technique that makes use of advertising as an effective communication medium to convey socially relevant message about important matters and social welfare causes like AIDS, energy conservation, political integrity, deforestation, illiteracy,

poverty and so on. David Ogilvy who is considered to be one of the pioneers of advertising and marketing concepts had reportedly encouraged the use of advertising field for a social cause. Today public Service Advertising has been increasingly used in a non-commercial fashion in several countries across the world in order to promote various social causes.

➤ **Celebrity advertising**

Using celebrities for advertising involves signing up celebrities for advertising campaigns, which consists of all sorts of advertising including, television and print advertisements. Though the audience is getting smarter and smarter and the modern day consumers are getting immune to the exaggerated claims made in a majority of advertisements, there still exist a section of advertisers who still bank upon celebrities and their popularity for advertising their products.

E-RETAIL IN INDIA

E-tailing or e-retailing or online retailing is a form of electronic commerce, which allows consumers to directly buy goods or services from a seller over the internet without intermediary service. Simply put, e-retailing is the sale of goods online. Companies like Amazon and Dell were the first to create the online retail industry by putting the entire customer experience, from browsing products to placing orders to pay for purchases on the Internet. The success of these and other companies encouraged traditional retailers to create an online presence to augment their brick-and-mortar outlets. This revolutionary way of selling goods and services has also gained popularity in India.

ADVANTAGES AND DISADVANTAGES OF E-RETAIL

The overall evaluation of strengths, weaknesses, opportunities, and threats is called SWOT analysis. SWOT Analysis is employed by an e - retailer in the analysis of strategic planning. The SWOT analysis builds the company objectives more realistic. To understand future risks it is essential to know strengths and weaknesses, opportunities and threats.

Advantages:

An e-commerce company's strengths are unique points which show their difference from their competitors which are competitive advantages can increase a company's strength.

- **Convenience:** e-Retailers are moving towards enhancing the convenience factor and thus attracting the shoppers to use this channel. Moreover the growth of the mobile communication has led to the growth of the e-retailing as people are more accessible to

internet 24 x 7. Like in the case of purchasing from the physical market, we have to wait for the shop to open and certainly we try to get our merchandise before the shop closes, but in case of online retailing there is no time limits involve all you need is an internet connection and money in your pocket to pay the price.

- **Time saving:** A shopper saves a good amount of time by shopping online. In the metros and even in the smaller towns which are growing fast, the life of an average person has become very fast. He has very little time after his normal routine office schedule to go to the market and purchase even the daily needed items.
- **Price/Product comparison:** Helps consumers to compare prices and product without having to move from one shop to another for comparing the benefits of the product, the shopper gets the benefit of comparing the features and cost analysis at one place. Most of the sites are providing this facility where in shopper can choose the product which exactly suits him.
- **Cost effective:** Reduces logistical problems and puts a small business on a par with giants. Lowers transaction cost can be automated in a well implemented online store. If an online download facility is available, then distribution cost can be cut off. Eretail business startup costs are more economical because both kinds of new startups have low income at the start.
- **Direct communication with consumer:** Social networking sites, online advertising networks can be mediums to buzz about online store. With an effective technology it is possible to direct communication to each consumer, either by using personalized email or through customized web pages when access is made by registered user.
- **Improved customer interaction:** Quick feedback and comment forms are main features to interact with customers. Establishing a functional interaction between the e-consumer and e-retailers to attract attention, assess, and experience, and also to provide enough confidence for a purchasing transaction at a distance. When sufficient support for these factors has been established, all product categories can in principle be handled electronically.
- **Flexible target market segmentation:** Target market segment here in e-retail is flexible can be modified any time. Deciding which market to target is a key strategic

consideration. E-retailers need to target customer groups with highest propensity to access, choose and buy online.

- **Simple and easier exchange of information:** Improves information sharing among e-retailers and e-customers and enables prompt quick just in time deliveries. Expanded models see e-retail as an opportunity to expand its line of business to target consumers previously out of reach. It can include functions that provide the exchange of information, facilitate business transactions and completely integrate the shared that it is faster, cheaper, and easier to modify and expand according to changing market dynamics.
- **Easy arrangement of products:** Products can be arranged in the shelves within minutes. With online store it is quite easy. It takes seconds to purchase a product from a vendor that you've done business with in the past and it can even be done from the convenience of a smartphone. E-retail makes it easy to quickly find exactly what you're looking for.
- **Faster buying procedure:** E-retail means better and quick customer services. Online customer services make customer happier. Due to absence of intermediaries for buying products. So buying procedure will be fast and quick.
- **Easy transactions:** Financial transactions through electronic fund transfer are very fast and can be done from any part of the world. E-retail puts the need for paperwork at minimum as most procedures are done electronically and also saves time for both e-retailer and e-consumer as it reduces manual business transaction.
- **Niche Products:** Almost everything can be sold on internet. Even if products targeted to smaller markets the buyer will be somewhere on net. E-retail is ideal for niche products. Customers for these products are usually few. However, even niche products could generate viable. When starting out, most online business owners find it infinitely easier to sell products that cater to a small niche market.

Disadvantages:

- **Security:** Security matter confuses customers especially about the integrity of the payment process. In an electronic environment where market needs, technology requirements, and security challenges change very rapidly, proactive risk-handling is essential. Unfortunately, no matter how strong your extranet defenses are, it is always possible that a new exploit could defeat your best efforts to secure the web.

- **Fake websites:** Fake websites can not only disgrace e-retail but bring bad name to e-commerce also. Fraud: Concerns about misuse of financial and personal data is a great weakness in e-retail.
- **Long delivery timing:** Delivery time can be in days or weeks which one cannot wait for. Supplier selection is extremely important in purchasing management to enhance quality, reduce delivery time, and to curtail purchasing cost.
- **No idea about quality and physical condition of the product:** Online products cannot be touched, wear or sit on the products. So neither the consumer nor retailer is actual aware about the physical condition of the product.
- **Limitation of products:** Limited number of products can be available. All products and SKU's availability cannot be possible in e-retail. Since there is products limitations in e-retail.
- **Lack of personal services:** Physical products can be available but lack in personal services which are intangible.
- **More shipping cost:** Shipping cost increases if we order online. E-retail makes buying a more convenient experience but did not fully appreciate how much of an effect shipping charges can have on their bottom line.
- **Limited exposure:** In developing areas where internet is not accessible will have no or little exposure to e-retailers. Availability in remote locations is rare because of unavailability of distribution network.
- **Customer's satisfaction:** There is no interaction between customer and the seller. Therefore the scope of convincing the customer does not exist. Many times customers prefer to buy the product by reaching personally to the market rather than purchasing through internet.

Features of E-Retailing

- The provision of an on-line catalogue, which allows one to browse through different categories of goods. Thus, it is dynamic and linked with order process.
- The provision of a search engine, which is a very important feature that does not exist in traditional retailing.
- The provision of a shopping cart, which allows convenient goods selection. An ability to provide an automatic price update.
- Personalization of store layouts, promotions, deals, and marketing.
- The ability to distribute digital goods directly. Thus, these goods can be downloaded instantly.
- An on-line customer salesperson, "who" can help customers to navigate through the site.
- An order status checking facility, which is a useful feature before submission.
- The use of Forums (collaborative purchasing circles) to create a customer community and thus increase "stickiness."

E-RETAIL AND MAJOR ONLINE RETAIL PLAYERS IN INDIA

E-retail or online retail is defined retailing activities done through internet. We have many online or e-retailers in India who provide a variety of merchandise to customers. In general retail business is referred as Business to Consumer (B2C). Online retail players are classified into two types category focused players and multi category focused. Category focused players provide particular merchandise with deep assortment. Ex: - Myntra, Jabong (Apparels and Lifestyle products), Bigbasket, Local banya (Grocery segment) and Fabfurnish, Pepper fry (Furniture), Carat lane, Juvalia and you (jewellery), First cry, my baby cart (baby products). Multi category players provide variety of merchandise with limited assortment. Ex: - Flipkart, Amazon, Future bazar and Snapdeal etc. For better understanding we look at some of the categories and the major online retailers in these categories.

Retailers provide categories like books, stationery, electronics, furniture, apparels, personal care, grocery, flowers, sports goods and services also. The major players in book category include Amazon, Flipkart, Naaptol and Land mark. Stationery items are sold by online

players like Flipkart, Amazon, Stationery shop, Snapdeal and Homeshop 18 etc. In Electronics segment we have specialised players like Croma (Tata group) and E-zone (Future group) along with other players like Flipkart, amazon, Infibeam, Snapdeal, Future bazar, Naaptol who sell electronics items like mobile phones, computers, tablets, television and other durables. In Furniture category we have players like Fabfurnish, Pepper fry, Urban ladder, Home town, Zansaar and Homeshop18 etc. In Apparel and personal care segment we have Myntra, Jabbong, Zovi, fashion and you, Flipkart, Amazon and Yebhi.com etc. In grocery category the major players include Bigbasket, Greencart, ekstop, Local banya, Nature's basket etc. We have specialised players like Ferns n Petals, Tilia and Floraindia for flowers and birthday cakes etc. In sports goods the major category players include Decathlon, Playground online, Khelmart and Sports 365 etc. Service retailers include lenskart which provide eye tests along with eye lens, glasses and well forte for some limited medical service. Some retailers like Apollo pharmacy, Healthkart and Buydrug which do online sales of medicines.

ROLE OF INFORMATION TECHNOLOGY IN RETAILING

With the increasing globalization of retailing, both in terms of their points-of-sale and their points-of-supply; the information technology (IT) spend in the retail sector has increased significantly. IT plays an increasingly important role in the management of complex retail operations. Market knowledge, as well as control of data and information, is key to obtaining a competitive advantage in the retail sector. Markets are continuing to grow and become more complex; the simple process of retailing has started to deploy more advanced retail information systems to cope with all the transactions involved.



Role of IT in Retail

- Modern equipments and applications i.e. software provide a great help in deciding the right inventory.
- IT is used in store operations and retail management activities.
- IT is used in planning the business, implementing the plan, running the business and maintaining the business.

IT involvement in Retail

- To increase the company's ability to respond to the evolving marketplace through enhanced speed and flexibility.
- To collect and analyze customer data while enhancing differentiation.
- To work effectively; retailers need one system working across stores (or even across national borders) to make sure the most effective use of stock and improve business processes.
- Retailers are beginning to notice that technology's role is one of an enabler. Essentially, information technology can speed up processes and deliver cost saving benefits to the company.

NEED OF INFORMATION TECHNOLOGY IN RETAIL

1. **Globalization of business operations:** The increasing globalization has led to growing exposure to foreign markets resulting in increasing demand for international shopping experience. As the industry become more global in its procurement, manufacturing and marketing operations it requires a greater use of information technology to reduce the time and space barriers.
2. **Competition:** Competition forces the retailer to become more efficient and effective. To gain the competitive advantage by the use of information technology is to reduce operating costs through automation and to improve the product or service quality by providing quality assurance with product differentiation.
3. **To meet the expectations of the Customers:** With globalization, the world is brought closer and the world's economy is quickly becoming a single interdependent system. Information can be shared quickly and easily from all over the globe, and barriers of linguistic and geographic boundaries can be torn down as people share ideas and

information with each other. To meet these requirements in a speedy way has necessitated the need for information technology.

4. **Technological Revolutions:** Information technology can speed up processes and deliver cost saving benefits to the company. It is possible to transmit, store, process and distribute forms of information on a single integrated technology and meet the needs of the customers.
5. **Inventory management:** To meet the expectations and challenges in the market, information technology is become the need of the hour. Inventory management software is a computer-based system for tracking inventory levels, orders, sales and deliveries. It can also be used in the manufacturing industry to create a work order, bill of materials and other production-related documents. It helps to avoid product overstock and outages. An electronic inventory control system is now a basic tool for retail management. Without this information, you cannot plan and execute a retail strategy.
6. **Store Management:** Information technology is beneficial for store management systems that give alerts to stock-out items. Store systems are types marketing systems that use business process information systems to elevate and transform the retail shopping experience of a shopper in both store-based and disinter-mediated retail shopping environment.
7. **Forecasting:** Automated statistical forecasting systems create a far more calculated and accurate demand forecasting as past sales data, forecasts, and future orders are all on one system. As a result, more accurate forecasts can be made based on the totality of this information. Forecasting systems can reach the desktop of every line manager, bringing chain wide input (if appropriate) into the process through interactive Web based applications. Thus forecasts can be further adjusted, taking every aspect into account. The new approach to demand forecasting in retail will contribute to the accuracy of future plans, the overall efficiency and profitability and profitability of retail operations.

ROLE OF INFORMATION TECHNOLOGY IN RETAILING

Retailing has played a major role in the world in increasing productivity across a wide range of consumer goods and services. In the developed countries, the retail industry has developed into full-fledged industry where the organized sector accounts for almost 80% of the

total retail trade. In contrast to this, in India organized retail trade accounts was merely 3% of the total retail trade.

However, post liberalization, favorable economic reforms and the recent changes in the country's economic fundamentals have driven the growth of the retail sector. In India, Modern retail formats are showing robust growth as several retail chains have established their base in metropolitan cities. The following given figures reveal the relative underdevelopment of the retail industry in India and huge opportunities that can be capitalized upon.

The use of innovative technologies in retail has become possible as a result of the specialization of the IT sector in the area of retail- oriented solutions, involving the latest developments, radio frequency technologies, computer systems and the Internet. Information technologies may be used in:

- 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. Personel – 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).
- Theft protection – RFID technology.
- Customer relationship management – e.g. a store kiosk, the Interactive Voice Response application, email service within the Call Centre. The store kiosk provides customers with information on a customized offer, e.g. discount coupons addressed to a particular customer based on the information that a retail establishment has collected about his buying choices and preferences. The Interactive Voice Response application, on the other

hand, allows identifying the needs of customer contacting a Call Centre and storing this information in the Call Centre system.

- The improvements and modifications of customer service processes – e.g. self checkout, interactive trolleys, and electronic labels.

The implementation of information technologies in retail will mainly depend on the resources and attitudes of retail enterprises and customer willingness to use innovative solutions. Not only demographic features will be important, but also psychographic and social characteristics – confidence levels, acceptance for technological innovations, the ability to use these innovations.

QUESTION BANK

5 MARK QUESTIONS

1. What is mean by Retail channel management?
2. Explain the Retail channels.
3. Channel management process – Explain.
4. What are the Objectives of sales promotion?
5. Retail advertising – Meaning.
6. Explain the Purposes of retail advertising.
7. Write the Objectives of advertisement.
8. E-retail in India – Meaning.
9. How E-retail and major online retail players in India?
10. Write the Role of information technology in retailing.
11. Role of information technology in retailing – Explain.

10 MARK QUESTIONS

1. Discuss the Elements of retail channel management.
2. Explain the Retail sales promotion techniques.
3. Describe the Classifications of advertising.
4. Write the Advantages and disadvantages of e-retail.
5. Why we need of information technology in retail?