ज्ञानगंगा घरोघरी

Yashwantrao
Chavan
Maharashtra
Open University

MKG 403

MBA : SECOND YEAR

SEMESTER IV

MARKETING GROUP

Retail Marketing

YASHWANTRAO CHAVAN MAHARASHTRA OPEN UNIVERSITY

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Introduction

Retailing is one of the largest industries in world and one of the biggest sources of employment in the industry. The Indian retail market has around 14 million outlets, the largest retail outlet destiny in the world. India has been identified as the third most attractive retail destination' globally from among thirty emerging markets. Therefore, with the increasing scope in in the field of retail marketing this book explores the basic theoretical underpinnings for the learners with an advancement in their understanding in retail marketing.

With the binding objectives of this course material the unit first explores the introductory concepts for the learners with an emphasis on the basic understanding of concepts of retailing. Unit second deals with the diverse form of retail marketing. Strategic planning is actual a top level management activities that decides direction and future of any organization, hence the unit three explores a detail overview of strategic planning in retailing. The further units describes how the location for retail outlets will be selected, along with the management of retail business with branding, positioning and the management of customer relationship management in retail businesses. How the various retail services are managed and performed is defined in unit eights. The unit ninth deals with the role and applications of information system in retail marketing. Finally the unit tenth provides a complete overview of retail marketing in India.

The authors hope that all the contents on understanding of the retail marketing will definitely enhance the learner's capability and skills for outstanding management of the retail activities they are expected to perform for the retail organizations.

- Dr. Vinay Sharma
- Dr. Piyush Seth
- Dr. Latika Ajitkumar Ajbani
- Dr. Surendra Patole
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Message from the Vice-Chancellor

Dear Students,

Greetings!!!

I offer cordial welcome to all of you for the Master's degree programme of Yashwantrao Chavan Maharashtra Open University.

As a post graduate student, you must have autonomy to learn, have information and knowledge regarding different dimensions in the field of Commerce & Management and at the same time intellectual development is necessary for application of knowledge wisely. The process of learning includes appropriate thinking, understanding important points, describing these points on the basis of experience and observation, explaining them to others by speaking or writing about them. The science of Education today accepts the principle that it is possible to achieve excellence and knowledge in this regard.

The syllabus of this course has been structured in this book in such a way, to give you autonomy to study easily without stirring from home. During the counseling sessions, scheduled at your respective study centre, all your doubts will be clarified about the course and you will get guidance from some experienced and expert professors. This guidance will not only be based on lectures, but it will also include various techniques such as question-answers, doubt clarification. We expect your active participation in the contact sessions at the study centre. Our emphasis is on 'self study'. If a student learns how to study, he will become independent in learning throughout life. This course book has been written with the objective of helping in self-study and giving you autonomy to learn at your convenience.

During this academic year, you have to give assignments and complete the Project work wherever required. You have to opt for specialization as per programme structure. You will get experience and joy in personally doing above activities. This will enable you to assess your own progress and thereby achieve a larger educational objective.

We wish that you will enjoy the courses of Yashwantrao Chavan Maharashtra Open University, emerge successful and very soon become a knowledgeable and honorable Master's degree holder of this university.

Best Wishes!

- Vice-Chancellor

Retail Marketing (MKG 403)

SYLLABUS

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UNIT 1 : INTRODUCTION TO RETAILING AND CONCEPT OF RETAIL

1.0 Unit Objectives

After reading this unit, you should be able to understand the meaning and concept of retailing along with its functions and an over view of retail market.

1.1 Introduction

Retailing comes at the end of the marketing distributive channel. The word 'retail' has been derived from the French word "retaillier" and means 'to cut a piece' or 'to break bulk'. It covers all the activities involved in the sale of product and services. Retailing is a high-intensity competition industry and second largest globally. The reason for its popularity lies in its ability to provide easier access to a variety of products, freedom of choice, and many services to consumers. The size of an average retail store varies across countries depending largely on the level of a particular country's economic development. The largest retail store in the world is Wal-Mart of USA. Retailing is the world's largest private sector contributing to 8% of the GDP and it employs one-sixth of the labor force. The estimated retail trade is expected to be 7 trillion US $. Many countries have developed only due to retailing and presently we see there is a vast change in the retail industry. As far as India is concerned it contributes to 14% of our GDP and it is the second largest sector next to agriculture which provides employment to more number of persons.

Now according to a survey, India is classified in to the fifth most attractive retail destination and second among the countries in Asia. Worldwide it is ranked as fifth most attractive retail destination.

1.1.1. Definition of Retailing

Retailing is the business activity of selling goods and services to the final consumer.

Retailing can be defined as the business products and services to consumers for their own use. According to Kotler, "Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use".

Retailing is the activity of selling goods and services to last level consumers for their use. It is concerned with getting goods in their finished state into the hands of customers who are prepared to pay for the pleasure of eating, wearing or experiencing particular product items. Retailing is all about the distribution of goods and services because retailers play a key role in the route that products take after originating from a manufacturer, grower or service-provider to reach then person who consumes. Retailing is also one of the key elements of a marketing strategy facilitating the targeting process, making sure that a product reaches particular groups of consumers. It is important in a marketing strategy to match the arena in which a product is purchased to the benefits and characteristics of the product itself and its price.

Retailers provide a collection of service benefits to their customers such as being located in convenient places, editing product ranges according to shopping tasks, and selling goods in quantities that match personal consumption levels. Ensuring that this process runs smoothly presents a host of managerial challenges. Retailing is therefore a deceptively simple management process - yet fascinatingly complex in its detail.

Companies who provide meals out, haircuts and aromatherapy sessions are all essentially retailers, as they sell to the final consumer, and yet customers do not take goods away from these retailers in a carrier bag. The consumption of the service product coincides with the retailing activity itself.

From a traditional marketing viewpoint, the retailer is one of a number possible organization through which goods produced by manufacture flow on their way to their consumer destiny. These organizations perform various roles by being a member of a distribution channel.

For Example: Chocolate producer like Cadbury's will use a number of distribution channels for its confectionery, which involve members such as agents, wholesalers, supermarkets, convenience stores, petrol stations, vending machine operators and so on.

Channel members, or marketing intermediaries as they are sometimes referred to, take on activities that a manufacturer does not have the resources to perform, such as displaying the product alongside related or alternative items in a location that is convenient for consumer to access for shopping.

Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store or kiosk, or by post, in small or individual lots for direct consumption by the purchaser.

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Check Your Progress

Describe the act of retailing. Why do you think retailing is important?

Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a public utility like electric power.

Caselet

Industry Status for Retail Sector?

Barely recovering from the slump in the economy, organized retailers in the country demand that the sector should be given industry status, besides easing foreign investment norms in the forthcoming Budget. "Industry status has been a long standing demand of the retail sector. Besides we also want a relaxation in the foreign direct investment (FDI) norms," Retailers Association of India chief executive officer Kumar Rajagopalan said. Sharing similar views, Koutons Retail India chairman D P S Kohli said: "Industry status has been a recurring demand of the retail sector for many years since only then will the retailers be able to fully enjoy the benefits of organized financing, insurance and fiscal incentives."

According to industry figures, only around five per cent of the estimated over USD 450 billion Indian retail sector is currently organized. Calling for easing of FDI norms, Rajagopalan said, "No industry in India has grown without FDI participation and for retail to emerge as a big player, more FDI should be allowed." Besides, he said even if FDI norms are not relaxed in the Budget, *the government must give a clarification on FII and foreign PE funding route as there is a lot of ambiguity.*

Kohli said clarity on the issue will help Indian retailers raise funds from abroad as the global liquidity condition is showing improvement. At present, the government allows 51 per cent FDI in single brand retailing and prohibits any foreign investments in the multi-brand segment.

1.1.2 Functions of Retailing/Retailer

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

1. **Providing assortments :** Offering an assortment enables customers to choose from a wide selection of brands, designs, sizes, colors, and prices in one location. Manufacturers specialize in producing specific types of products.
2. **Sorting :** Manufacturers make one single line or multiple product lines and will always prefer to sell their entire output to few buyers to reduce their costs. Final consumers will prefer to choose from a large variety of goods and services and then usually buy in smaller quantities. Retailers have to strike a balance between demands of both the sides, by collecting a combination of goods from different producers, buying them in large quantities and selling them to individual consumers in smaller quantities. The above process is called sorting and under this process, the retailer undertakes activities and performs functions that add value to the products

and services while selling them to consumers.

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

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

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

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

7. **Channel of Communication :** Retailers are the bridge between the manufacturer or his representative and the end customers.
8. **Transportation :** Retailers also help in transport and advertising function. The larger assortments are transported from wholesaler's point to retailers point by retailer's own arrangements and many times, the retailer delivers the goods at final consumer's point. So, retailers provide assistance in storage, transportation and prepayment merchandise.

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1.1.3 Social and Economic Importance of Retailing

The social and economic significance of retailing is explained under the following heads.

- **Social Responsibility :** Retailers are socially responsible businesses. Corporate social responsibility describes the voluntary actions taken by a company to address the ethical, social, and environmental impacts of its business operations and the concerns of its stakeholders. Retailing figure 1.1 illustrates how retailers provide value to their communities and society, as well as to their customers.
- **Retail Sales :** Retailing affects every facet of life. Just think of how many daily contacts you have with retailers when you eat meals, furnish your apartment, have your car fixed, and buy clothing for a party or job interview. American retail sales are over $3.6 Trillion for 2012, but even this sales level underestimates the impact of retailing, because it does not include the retail sales of automobiles and repairs.

  Although the majority of retail sales take place within large retail chains, most retailers are small businesses of the 1.9 million retail firms in the United States, 95 percent of them run only one store. Less than 1 percent of U.S. retail firms have more than 100 stores.

Check Your Progress

Describe the dimensions of retail equation.

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- **Employment :** Retailing also is one of the nation's largest industries in terms of employment. More than 25 million people were employed in retailing-approximately 18 percent of the non-agricultural U.S. workforce. Between 2004 and 2014, the retail industry expects to add 1.6 million jobs, making it one of the largest sectors for job growth in the United States.
- **Global Retailers :** Retailing is becoming a global industry, as more and more retailers pursue growth by expanding their operations to other countries. The large retail firms are becoming increasingly international in the geographical scope of their operations. Amway, Avon, Ace Hardware, and Inditex (Zara) operate in more than 20 countries. The share of the global retail market accounted for by retailers operating in more than one country also is increasing, because these global retailers are growing at an even faster rate than are global retail sales. International operations account for a larger proportion of sales by these large firms, as is particularly apparent in European firms with their longer internationalization experience. Wal-Mart, Carrefour, Royal Ahold, Metro, and Schwarz each generate more than $25 billion annually in sales from their international operations.

1.1.4 Nature of Retailing and Distribution Supply Chain

The nature of retailing and distribution supply chains in various areas around the world differs. Some critical differences among the retailing and supply chain systems in the United States, European Union, China, and India are summarized in Figure 1.1.

For example, the U.S. supply chain system has the greatest retail density and the greatest concentration of large retail firms. Many U.S. retail firms are large enough to operate their own warehouses, eliminating the need for wholesalers. And the fastest growing types of U.S. retailers sell through large stores with more than 20,000 square feet. The combination of large stores and large firms results in a very efficient supply chain.

The Chinese and Indian supply chain systems are characterized by small stores operated by relatively small firms and a large independent wholesale industry. To make the daily deliveries to these small retailers efficient, the merchandise often passes through several levels of distributors. In addition, the infrastructure to support retailing, especially the transportation and communication systems, are not as well developed as they are in Western countries. These efficiency differences then mean that a much larger percentage of the Indian and Chinese labor force is employed in supply chains and retailing than is the case in the United States.

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	United States	European Union	India	China
Concentration (% of retail sales made by large retailers)	High	High	Low	Low
Retail density	High	Medium	Low	Low
Average store size	High	Medium	Low	Low
Role of wholesalers	Limited	Moderate	Extensive	Extensive
Infrastructure supporting efficient supply chains	Extensive	Extensive	Limited	Limited
Restriction on retail locations, store size, and ownership	Few	Considerable	Considerable	Few

Figure 1.1 : Comparison of Retailing and Supply Chain Across the world

The European supply chain system falls between the American and the Chinese and Indian systems on this continuum of efficiency and scale, but the northern, southern, and central parts of Europe should be distinguished. In northern European, retailing is similar to that in the United States, with high concentration levels—in some national markets, 80 percent or more of sales in a sector such as food or home improvements are accounted for by five or fewer firms. Southern European retailing is more fragmented across all sectors. For example, traditional farmers' market retailing remains important in some sectors, operating alongside large "big-box" formats. Some factors that have created these differences in supply chain systems in the major markets include (1) social and political objectives, (2) geography, and (3) market size.

1.2 Wholesalers Vs. Retailers

Major difference between wholesalers and retailers are presented in the following table: Wholesale means "selling in large quantities" while retail means "selling in small quantities." Therefore, wholesalers sell in bulk and retailers sell in individual or smaller quantities. Most often, wholesalers do not sell directly to individual customers, but rather sell goods directly to retailers who are then able to sell to individual customers.

Wholesalers	Retailers
(1) They are connecting links between the manufacturers and the retailers.	(1) They are connecting links between the wholesalers and the customers.
(2) They purchase goods in large quantities from the manufacturers.	(2) They purchase goods in small quantities from the wholesalers.
(3) They deal in limited number of products.	(3) They deal in variety of products for meeting the varied needs of consumers.
(4) They need more capital to start their business.	(4) They can start business with limited capital.
(5) The display of goods and decoration of premises is not necessary for them.	(5) They lay more emphasis on window display and proper decoration of business premises in order to attract the customers.

(6) Their business operations extend to different cities and places.	(6) They usually localize at a particular place, area or city.
(7) They do not directly deal with the customers.	(7) They have a direct link with the customers.
(8) They do not extend free home delivery and after sales services.	(8) They provide free home delivery and after sales services to the consumers.
(9) They provide more credit facilities to retailers.	(9) They provide lesser credit facilities to the consumers and usually sell goods on cash basis.
(10) They may not possess expert knowledge regarding selling techniques.	(10) They must possess expert knowledge in the art of selling.
(11) They enjoy the economies of bulk buying, freights and price etc.	(11) They do not avail such economies.
(12) They are not usually classified in different types.	(12) They can be divided into categories viz., small scale and large scale retailers.
(13) Their services can be dispensed with or can be eliminated from the chain of distribution.	(13) They are integral component of the distribution chain and cannot be eliminated.

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1.3 Global Retail Market

Retailing is increasingly a global business. A more structured retail industry with more multiple retailers (those with more than one outlet) is a sign that an economy is developing, as organizations specialize and gain economies of scale. Additionally, when disposable incomes rise, retailers play an active part in distributing increasingly discretionary goods to centers of population. Emerging markets are a real (although highly complex) opportunity for experienced retailers, especially if they are faced with high levels of retail provision and therefore competition in their traditional markets.

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As the artificial barriers to trade, such as import duty and quota restrictions, are removed from the global economy, many retailers will view the world as their marketplace and make sourcing and outlet operation decisions on a set of criteria that are relevant across the globe.

1.4 Summary

Retailing in simple term can be defined as "Retailing is the business activity of selling goods and services to the final consumer". Retailing can be defined as the business products and services to consumers for their own use. It has its origin in the French word, retailer meaning 'to cut a piece off'. The term retailing applies not only to the selling of tangible products like loaves of bread or pairs of shoes, but also to the selling of service products. Retailing, one of the largest sectors in the global economy, has become the most active and attractive sector of the last decade. Retailers perform various functions like providing assortments, sorting, breaking the bulk, rendering services, bearing risk, serve as a channel of communication, transportation, advertising and holding inventory. They significantly contribute towards increasing the product value and satisfying the consumers. This unit also addresses the question of how the Marketing Mix framework can be used to analyses the competitive standing of a retail business organization and how the outcome of this analysis can then be translated into practical tactics which capitalize on the organization's strengths. To build a competitive advantage that can be sustained, retailers need to pay special attention to aspects like price, location, merchandise, service and communications. There are a number of retail marketing jobs out there, wherein one is not a sales executive, but one who creates and supervises sales strategies in the retail market.

1.5 Key Terms

***Breaking Bulk* :** Offering the products in smaller quantities tailored to individual consumers and household consumption patterns and thereby reducing transportation and inventory costs.

***Department Stores* :** It is a retail establishment which specializes in satisfying a wide range of the consumer's personal and residential durable goods product needs.

***Gatekeeper* :** Member of a decision-making unit or social group who acts to prevent or discourage a purchase by controlling the flow of information and/or access to people in the buying center.

***Kiosk* :** A small open - fronted hut or cubicle from which newspapers, refreshments, tickets, etc., are sold.

***Marketing* :** The process by which individuals and groups obtain what they want and need through creating, offering and freely exchanging products and services of value with others.

***Merchandise* :** Goods to be bought and sold.

***Retailing* :** Business activity of selling goods and services to final consumers.

1.6 Questions and Exercises

1. Describe the act of retailing. Why do you think retailing is important?
2. "Retailers provide a collection of service benefits to their customers." Substantiate.
3. Discuss the functions of retailing with the help of suitable examples.
4. Discuss about the Social and Economic significance of Retailing.
5. Explain about the structure of Retailing and Distribution
6. Describe about the opportunities in Retailing.
7. Explain how sorting by the retailer helps you as a customer.
8. Describe the dimensions of retail equation.

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9. "Retailing is not only an integral part of our economic structure but also shapes and is shaped by, our way of life." Discuss.
10. .... is the world's biggest retailer.
11. .... is at the top of GRDI.

Answer for question 10 and 11 : **(False ; Attractiveness)**

1.7 Further Reading and References

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UNIT 2 : TYPES OF RETAILER

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2.0 Unit Objectives

After reading this unit, you should be able to describe retailer characteristics and various types of retailing and ownership in retail.

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2.1 Introduction

The word retailer has been derived from the French word "Retail" which means to sell in small quantities, rather than in gross. A retailer is a person who purchases a variety of goods in small quantities from different wholesalers and sell them to the ultimate consumer. He is the last link Notes in the chain of distribution from the producer to the consumer.

2.2 Retailer Characteristics, Functions and Services

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

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

Functions

Retailers perform a number of functions. These are :

- The retailer buys a variety of products from the wholesaler or a number of wholesalers. He thus performs two functions like buying of goods and assembling of goods.
- The retailer performs storing function by stocking the goods for a consumer.
- He develops personal contact with the consumers and gives them goods on credit.
- He bears the risks in connection with Physical Spoilage of goods and fall in price. Besides he bears risks on account of fire, theft, deterioration in the quality and spoilage of goods.
- He resorts to standardization and grading of goods in such a way

that these are accepted by the customers.

- He makes arrangement for delivery of goods and supply valuable market information to both wholesaler and the consumer.

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Service of a Retailer

A retailer provides a number of services to the customer and to the wholesaler. The services provided by a retailer to customer are as follows:

- He provides ready stock of goods and as such he sells and quantity of goods desired by the customers.
- He keeps a large variety of goods produced by different producers and thereby ensures a wide variety of choice to the customers.
- He relives the consumers of maintaining large quantity of goods for future period because he himself holds large stock of goods.
- He develops personal relationship with the customers by giving them credit.
- He provides free-home delivery service to the customers.
- He informs the new product to the customers.

The services provided by retailer to wholesaler are as follows:

- He gives valuable market information with regard to taste, fashion and demand for the goods to the wholesaler.
- The retailer maintains direct contact with the customers and so he relieves the wholesaler with regard to maintenance of direct contact.
- He helps the wholesaler in getting their goods distributed to the consumer.
- He is regarded as an important link between the wholesaler and the consumer.
- He creates demand for the products by displaying the goods to the consumers.
- A retail business endeavors to create a compelling concept against competitors. For the characteristics of the vision to be effective, the

Check Your Progress

Discuss the retailer characteristics in India?

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concept must create an emotional bond with customers. For a customer to see the value of the characteristics of the business' appeal, he looks at what the business gives him, not what the business put in.

1. **Clear Vision :** To connect to a core customer group, one of the characteristics a retail company must have is a clear vision. What the company is offering, who their target market is and the value of the product or service to the customer must be clear. For example, North American car rental company Enterprise Rent-A-Car focused on customers who need a car during repairs as its target market rather than the standard airport focused car rental. That focus helped Enterprise dominate a market and increase market share.
2. **Value :** A retail business that sells products or services that appeal to customers' needs has the ability to stand up against competition. Physical facilities, pricing, products and customer service differentiate a busy retail store from an unnoticed one. If the characteristics appeal to a consumer, in her mind, the business represents value. When a retailer makes the value of its business obvious, it prevents service levels from dropping.
3. **Functional :** Price, convenience and store experience are functional characteristics that make up a strong retail brand. These functional characteristics are common to almost all retail stores. A brand may use its store experience to create an emotional bond by matching its brand's characteristics with consumers' values. The emotional connection could trigger sales. Combining functional characteristics of store experience with price and convenience, a retailer strives to have returning customers.
4. **Concept :** A retail business aims to conceive an idea and deliver consistency, profitability and integrity from concept to execution. Ikea, an international furniture company, for example, developed a unique presentation and customer assembly system difficult to copy.

The unique concept created a barrier to competitors. In order to be able to execute on its ideas, a company must have adequate resources and capital.

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2.3 Food Retailers

The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered. The invention of the bar code allowed a store to manage thousands of items and their prices and led to 'just-in-time' store replenishment and the ability to carry tens of thousands of individual items. Computer-operated depots and logistical systems integrated store replenishment with consumer demand in a single electronic system. The superstore was born.

On the Global Retail Stage, little has remained the same over the last decade. One of the few similarities with today is that Wal-Mart was ranked the top retailer in the world then and it still holds that distinction. Other than Wal-Mart's dominance, there's little about today's environment that looks like the mid-1990s. The global economy has changed, consumer demand has shifted, and retailers' operating systems today are infused with far more technology than was the case six years ago.

Saturated home markets, fierce competition and restrictive legislation have relentlessly pushed major food retailers into the globalization mode. Since the mid-1990s, numerous governments have opened up their economies as well, to the free markets and foreign investment that has been a plus for many a retailer. However, a more near-term concern, has been the global economic slowdown that has resulted from dramatic cutback in corporate IT and other types of capital spending. Consumers themselves have become much more price sensitive and conservative in their buying, particularly in the more advanced economies.

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The global retail industry has traveled a long way from a small beginning to an industry where the world wide retail sales alone is valued at \$ 7 trillion. The top 200 retailers alone account for 30% of worldwide demand. Retail sales being generally driven by people's ability (disposable income) and willingness (consumer confidence) to buy, compliments the fact that the money spent on household consumption worldwide increased 68% between 1980 and 2003. The leader has indisputably been the USA where some two-thirds or \$ 6.6 trillion out of the \$ 10 trillion American economy is consumer spending. About 40% of that (\$ 3 trillion) is spending on discretionary products and services. Retail turnover in the EU is approximately Euros 2000 billion and the sector average growth looks to be following an upward pattern. The Asian economies (excluding Japan) are expected to grow at 6% consistently till 2005-06. Positive forces at work in retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment and very low inflation. Negative factors that hold retail sales back involve weakening consumer confidence.

2.4 Food Retail in India

Though with a population of a billion and a middle class population of over 300 million organized retailing (in the form of food retail chains) is still in its infancy in the Country. India has been rather slow in joining the Organized Retail Revolution that was rapidly transforming the economies in the other Asian Tigers. This was largely due to the excellent food retailing system that was established by the kirana (mom-and-pop) stores that continue meet with all the requirements of retail requirements albeit without the convenience of the shopping as provided by the retail chains; and also due to the highly fragmented food supply chain that is cloaked with several

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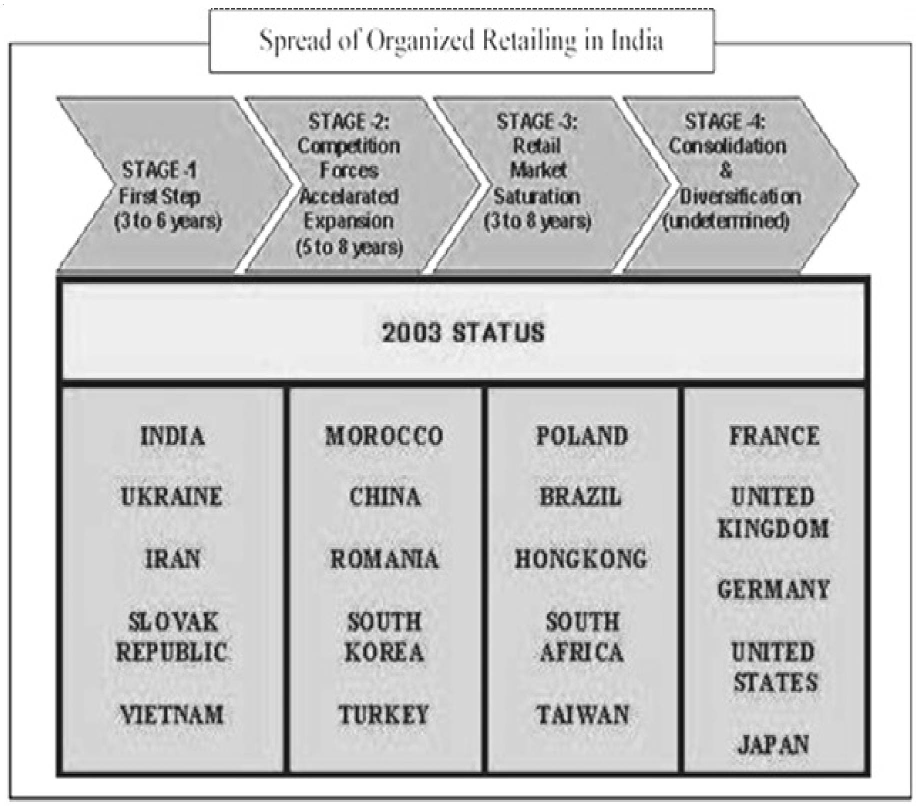
intermediaries (from farm-processor-distributor-retailer) resulting in huge value loss and high costs. This supplemented with lack of developed food processing industry kept the organized chains out of the market place. The correction process is underway and the systems are being established for effective Business-to-Business (farmer-processor, processor-retailer) solutions thereby leveraging the core competence of each player in the supply chain.



Organized retailing is spreading and making its presence felt in different parts of the country. The trend in grocery retailing, however, has been slightly different with a growth concentration in the South. Though there were traditional family owned retail chains in South India such as Nilgiri's as early as 1904, the retail revolution happened with various major business houses foraying into the starting of chains of food retail outlets in South India with focus on Chennai, Hyderabad and Bangalore markets, preliminarily. In the Indian context, a countrywide chain in food retailing is yet to be established as lots of Supply Chain issues need to be answered due to the vast expanse of the country and also diverse cultures that are present.

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2.5 Retail Models in India: Current and Emerging

The Indian food retail market is characterized by several co-existing types and formats. These are :

- The road side hawkers and the mobile (pushcart variety) retailers.
- The kirana stores (the Indian equivalent of the mom-and-pop stores of the US), within which are :
  - ✓ Open format more organized outlets
  - ✓ Small to medium food retail outlets.
- Convenience Stores
- Supermarkets

Within modern trade – the organized retailers, we have :

- The discounter (Subhiksha, Apna Bazaar, Margin Free)
- The value-for-money store (Nilgiris)
- The experience shop (Foodworld, Trinethra)
- The home delivery (Fabmart)

While the focus of this note is on modern organized retail trade, we hereunder present insights into the smaller, semi and unorganized retailers.

Hawkers – "Mobile Supermarkets"

The unorganized sector is characterized by the lari-galla vendors (also known as "mobile supermarket") seen in every Indian bylane and is, therefore, difficult to track, measure and analyze. But they do know their business – these lowest cost retailers can be found wherever more than 10 Indians collect – a rural post office, a dusty roadside bus stop or a village square. As far as location is concerned, these retailers have succeeded beyond all doubt. They have neither village nor city-wide ambitions nor plans – their aim is simply a long walk down the end of the next lane. This mode of "mobile retailers" is neither scalable nor viable over the longer term, but is certainly replicable all over India. Most retailing of fresh foods in India occurs in Mandis and roadside hawker parks, which are usually illegal and entrenched. These are highly organized in their own way. Hawking of food products, cooked food and FMCG products is a very interesting model of retailing. Much has been written about these roadside "malls" – from social security issues to their nuisance value. However, if you put these hawkers together, they are akin to a large supermarket with little or no overheads and high degree of flexibility in merchandise, display, prices and turnover. While shopping ambience and the trust factor maybe missing, these hawkers sure have a system that works.

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Kirana/Grocers/ Provision Stores/Mom-and-Pop Stores :

Semi-organized retailers like kirana (mom-and-pop stores), grocers and provision stores are characterized by the more systematic buying – from the mandis or the farmers and selling – from fixed structures. Economies of scale are not yet realized in this format, but the front end is already visibly changing with the times. These stores have presented Indian companies with the challenge of servicing them, giving rise to distribution and cash flow cycles as never seen elsewhere in Asia. The model is very antithesis of modern retail in terms of the buyer (retailer)-seller (FMCG) equations. It is not unknown for MNC leaders to link the supply of one line of products to another slower moving line of products. These retailers are not organized in the manner that they could challenge the power of the sellers, most protests have been in the form of boycotts, which really haven't hit any company permanently.

***Convenience Stores* :**

A convenience store is a small store that stocks a range of everyday items such as groceries, toiletries, alcoholic and soft drinks, tobacco products, and newspapers. They have a wide category of products and have a minimum required stock of each. They are open for long hours and are situated at various convenient locations. They differ from general stores and village shops in that they are not in a rural location and are used as a convenient supplement to larger stores.

A convenience store may be part of a gas/petrol station. It may be located alongside a busy road, in an urban area, or near a railway or railroad station or other transport hub. In some countries, convenience stores have very long shopping hours, some being open 24 hours.

Convenience stores usually charge higher prices than ordinary grocery stores or supermarkets, which they make up for with convenience by serving more locations and having shorter cashier lines. Some of the Major convenience Store chains with their locations in India are as follows:

- **Reliance Fresh** - All India
- **Spencer's** - All India
- **More** - All India
- **Easyday** - Mainly in Punjab and Delhi currently.
- **Big Apple** - Delhi and surroundings
- **Sabka Bazaar** - Mainly in Delhi and surroundings.
- **6Ten** - Mainly Delhi and Punjab
- **Nilgiris** - Mainly South India - Tamil Nadu, Karnataka
- **Big Bazaar** - All India (India's Walmart)

Also, a lot of Petrol pumps in big cities have IN & OUT or CONVENIO convenience stores.

Supermarkets :

A supermarket, a large form of the traditional grocery store, is a self-service shop offering a wide variety of food and household products, organized into aisles. It is larger in size and has a wider selection than a traditional grocery store, but is smaller and more limited in the range of merchandise than a hypermarket or big-box shop.

The supermarket typically comprises meat, fresh produce, and dairy and baked goods aisles, along with shelf space reserved for canned and packaged goods as well as for various non-food items such as household cleaners, pharmacy products and pet supplies. Most supermarkets also sell

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Check Your Progress

Describe the general merchandise retailers?

a variety of other household products that are consumed regularly, such as alcohol (where permitted), medicine, and clothes, and some stores sell a much wider range of non-food products.

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2.6 Integration of Food Industry – The Key Driver of Food Retail in India

India is world's second largest grower of fruits and vegetables after Brazil and China. While the agriculture sector has witnessed several leaps of innovation and technological advancements, the processing sector is still in its infancy. Even with less than 4% processing of fruits and vegetables, the Food Processing Industry sector in India is one of the largest in terms of production, consumption within India, export and growth prospects. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialization and value addition to agricultural produce; for minimizing pre/post-harvest wastage, generating employment and export growth. As a result of several policy initiatives undertaken since liberalization in early 90's, the industry has witnessed fast growth in most of the segments. In the following few paragraphs, it can be noted that the processed food market for India is vast and the amount of scope that retail chains would be exposed to is phenomenal taking into consideration the demographics and raise in standards of living. Retailers could throng the market with all these processed and packaged foods with their private labels.

With the emergence of the big private corporate, NGOs (Non-Government Organizations) and Government organizations into the food processing scene, India is making big inroads into the Food Processing Industry. These corporate and NGOs have reached out to the farmers and provided them with timely advice and help in the up gradation of farm practices with valuable inputs on various areas of farming from sowing to harvesting which includes quality seed procurement, manures, fertilizers and pesticides etc. Some of the successful models are that of ITC's e-choupal a model that helps the soyabean farmers in contract producing for ITC for its commodity trading business. The PEPSI experimenting with Punjab farmers in growing the right quality tomato for its tomato purees and pastes. Some of the leading food retail chains working with farmers for contract growing greens for supply to their retail outlets etc. These successful models are being replicated with required changes all over the country and the food industry is getting integrated more strongly.

India has also seen a flurry of food chain majors like McDonalds, Pizza Hut and Kentucky Fried. Chicken finding their place among the Indian consumers. The trend still follows for food chains in India to spread to almost all cities and towns.

Economy : Economic growth at over 5.5% over the last eight years, forex reserves of over $100 billion and a stable government has helped India to look more progressively towards future. The economic development was largely attributed to its dominance in the Information Technology Sector in the global market place and its large English speaking population that made it the ideal choice for back office operations for MNC's world over. The manufacturing sector also provided its might to the economic development by going global hitherto restricting to export of raw materials or intermediaries that has not graduated to supply of end product be it Pharmaceuticals or Consumer Vehicles. All this has translated in higher income levels and more surpluses for the middle class segment that is getting ploughed into the retail sector; again fueling the economy to higher levels. The last five years have seen the PPP of average Indian middle class (over 300 millions) go up several times unleashing the power of purchasing. The retail sector was the greatest beneficiary. The need for a shopping experience combined with the convenience of shopping for the upwardly mobile middle class has been on the major factors for retail boom in India.

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The Informed Consumer : Over the years, the increasing literacy in the Country and the exposure to developed nations via satellite television or by way of the overseas work experiences, the consumer awareness has increased on the quality and the price of the products/services that is expected. Today more and more consumers are vocal on the quality of the products/services that they expect from the market. This awareness has made the consumer seek more and more reliable sources for purchases and hence the logical shift to purchases from the organized retail chains that has a corporate background and where the accountability is more pronounced. The consumer also seeks to purchase from a place where his/her feedback is more valued.

2.7 Evolution of Organized Retailing

Retailing, one of the largest sectors in the global economy, is going through a transition phase in India. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains, convenience stores and fast-food chains.

The traditional grocers, by introducing self-service formats as well as value-added services such as credit and home delivery, have tried to redefine themselves. However, the boom in retailing has been confined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impact of organized retailing. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles.

In order to appeal to all classes of the society, retail stores would

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have to identify with different lifestyles. In a sense, this trend is already visible with the emergence of stores with an essentially 'value for money' image. The attractiveness of the other stores actually appeals to the existing affluent class as well as those who aspire to be part of this class. Hence, one can assume that the retailing revolution is emerging along the lines of the economic evolution of society.

It was only in the year 2000 that the economists put a figure to it: ' 400,000 crore (1 crore = 10 million) which is expected to develop to around ' 800,000 crore by the year 2005 – an annual increase of 20 per cent. Retailing in India is unorganized with poor supply chain management perspective. According to a recent survey by some of the retail consulting bodies, an overwhelming proportion of the ' 400,000 crore retail market is UNORGANISED. In fact, only a ' 20,000 crore segment of the market is organized. As much as 96 per cent of the 5 million-plus outlets are smaller than 500 square feet area. This means that India per capita retailing space is about 2 square feet (compared to 16 square feet in the United States). India's per capita retailing space is thus the lowest in the world.

2.8 Types of Ownership

Entrepreneurs have many forms of retail business ownership available to them. Each business model has its own list of pros and cons. choosing a type of retail business to start will depend on why you want to own a business, as well as your lifestyle, family, personality, basic skills and much more. Here are a few of the main types of retail ownership and the advantages, disadvantages, and support system of each. There are five types of Retail ownership:

- **Independent Retailer :** In independent retailer is one who builds his/her business from the ground up. From the business planning stage to opening day, the independent retail owner does it all. He/ she may hire consultants, staff and others to assist in the business endeavor. The opportunities are endless.

- ✓ **Advantages :** There are no restrictions on who, how or where an entrepreneur should set up his/her business. The freedom to do what one wants to do is the biggest advantage in this form of business. It can be extremely fulfilling.
- ✓ **Disadvantages :** Because of the ease and flexibility of getting started, there can be a lot of competition in a particular area for a certain type of customer. Every business decision rests on the owner(s). There is no branding, no preset guidelines and a great deal of risk in this business model.
- ✓ **Support :** Other than small business resources online, in print or sponsored by the various government and trade organizations, there isn't much in the way of support for the independent retailer.

- **Existing Retail Business :** Someone who inherits or buys an existing business is taking ownership and responsibility of someone else's hard work. The foundation has already been laid.
  - ✓ **Advantages :** The biggest advantage to buying an existing business or taking ownership of an already established retail store is time. The time to build a customer base, the time to establish branding, and the time it takes to establish credit are generally all past which means most of the hard part is behind the new owner.
  - ✓ **Disadvantages :** The existing business may have a negative image or reputation that will take a lot of time to undo. Loyal customers may not like the change of ownership. Previous owners have caused problems by opening a competing business.
  - ✓ **Support :** A well-established business will usually have a

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written set of procedures or policy manual. Staff members already in place have the knowledge to help guide a new owner.

- **Franchise :** Purchasing a franchise is buying the right to use a name, product, concept and business plan. The franchisee will receive a proven business model from an established business.
- **Dealership :** Retailers may find the business model of a licensed dealership as a mix of franchise and independent retailer. The licensee has the right (sometimes this is exclusive) to sell a brand of products. Unlike a franchise, the dealer can sell a variety of brands and there generally no fees to the licensor. Dealerships may or may not be identified as an authorized seller or by the company's trademark.
  - ✓ **Advantages :** All of the business operation processes have been established. The franchisee receives help from a network and customers may already familiar with the name. The marketing strategy has already been put in place. Most all of the risk associated with starting a retail business has been reduced.
  - ✓ **Disadvantages :** Franchisees pay a fee, or royalty, based on sales each year. Startup costs relating to the franchise may be high. One of the biggest disadvantages of owning affranchise is the lack of flexibility and freedom.
  - ✓ **Support :** Franchisors usually provide all the marketing, training and ongoing support needed to run a successful business.
- **Network Marketing :** Multilevel marketing (MLM) or network marketing is a business model where the selling of products depends on the people in the network. Not only is a product being sold, but other salespeople are being recruited to sell that same product or product line. It's probably not a type of business one would initially consider when discussing retail businesses, but Amway used this

model quite successfully for many years.

- ✓ **Advantages :** Generally very little startup funding is needed to operate this type of business. Network marketing provides freedom from conventional retailing businesses and offers a greater interaction with all types of people. For those willing to invest the time, huge profits can be made.
- ✓ **Disadvantages :** Too many unscrupulous multilevel marketing schemes exist. Some systems require their dealers to be more interested in recruiting new members than in selling the products to consumers. It may be difficult to operate without a storefront.
- ✓ **Support :** Most network marketing systems offer motivational materials, training and support.

2.9 Retail Channels

A channel of distribution or trade channel is defined as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users. In other words, it is a distribution network through which producer puts his products in the market and passes it to the actual users. This channel consists of: - producers, consumers or users and the various middlemen like wholesalers, selling agents and retailers (dealers) who intervene between the producers and consumers. Therefore, the channel serves to bridge the gap between the point of production and the point of consumption thereby creating time, place and possession utilities.

A channel of distribution consists of three types of flows:

- Downward flow of goods from producers to consumers
- Upward flow of cash payments for goods from consumers to producers
- Flow of marketing information in both downward and upward direction i.e. Flow of information on new products, new uses of

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existing products, etc. from producers to consumers. And flow of information in the form of feedback on the wants, suggestions, complaints, etc. from consumers/users to producers.

These channels of distribution are broadly divided into four types :

1. **Producer-Customer :** This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers. It is fast and economical channel of distribution. Under it, the producer or entrepreneur performs all the marketing activities himself and has full control over distribution. A producer may sell directly to consumers through door-to-door salesmen, direct mail or through his own retail stores. Big firms adopt this channel to cut distribution costs and to sell industrial products of high value. Small producers and producers of perishable commodities also sell directly to local consumers.
2. **Producer-Retailer-Customer :** This channel of distribution involves only one middlemen called 'retailer'. Under it, the producer sells his product to big retailers (or retailers who buy goods in large quantities) who in turn sell to the ultimate consumers. This channel relieves the manufacturer from burden of selling the goods himself and at the same time gives him control over the process of distribution. This is often suited for distribution of consumer durables and products of high value.
3. **Producer-Wholesaler-Retailer-Customer :** This is the most common and traditional channel of distribution. Under it, two middlemen i.e. wholesalers and retailers are involved. Here, the producer sells his product to wholesalers, who in turn sell it to retailers. And retailers finally sell the product to the ultimate consumers. This channel is suitable for the producers having limited finance, narrow product line and who needed expert services and promotional support of wholesalers. This is mostly used for the products with widely scattered market.

4. **Producer-Agent-Wholesaler-Retailer-Customer :** This is the longest channel of distribution in which three middlemen are involved. This is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his entire output to the selling agents. The agents distribute the product among a few wholesalers. Each wholesaler distribute the product among a number of retailers who finally sell it to the ultimate consumers. This channel is suitable for wider distribution of various industrial products.

An entrepreneur has to choose a suitable channel of distribution for his product such that the channel chosen is flexible, effective and consistent with the declared marketing policies and programs of the firm. While selecting a distribution channel, the entrepreneur should compare the costs, sales volume and profits expected from alternative channels of distribution and take into account the following factors:

- Product Consideration
- Market Consideration
- Other Considerations that may have an impact on business and business activities.

2.10 Benefits of Multi-channel Retailing

Creating a successful multi-channel experience can seem intimidating to many retailers, who may wonder if the effort is worth it. They may not have a choice, however. "Consumers are expecting this kind of integration already," said Ron Bowers, senior vice president of Frank Mayer and Associates, a Grafton, Wis.-based merchandising company. "They expect that if they order an item online, they can return it in the store, that kind of thing. It's up to retailers to make sure that expectation is met." But multi-channel retailing offers plenty of benefits to retailers, benefits that make investing in the strategy worthwhile.

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- **Improved Customer Perception :** "Channels are disintegrating for customers," said Jeremy Gustafson, vice president at KSC Kreate, a digital commerce agency based in Hollywood, Fla. "People are watching television and using their tablet at the same time. They expect the same kind of integration with their shopping experience."Brands who don't provide that kind of experience, he said, are likely to lose customers, especially as the digital generation gains even more buying power.

  Stores who do create a seamless experience that integrates all different forms of technology, however, can gain significant customer loyalty. Those brands are perceived as forward-thinking and responsive to customer's needs - qualities that will keep customers coming back.

  That improved perception offers another advantage, as well. In a world of big-box stores and online shopping, finding the best price is easier than ever for customers. A store that is perceived as responsive to customer needs and gives customers easy access to a variety of channels can differentiate itself in a crowded field. That allows the brand to compete on the experience offered, rather than just price. Customers might be willing to pay a little more for the convenience, and will come back repeatedly, and brands don't have to slice their profits just to keep up.

- **Increased Sales :** The primary driver for a retailer adopting any strategy is, of course, increasing profit, most frequently by increasing sales. Multi-channel retailing, by offering a variety of engagement points for the customer to make a purchase, increases the convenience and ease of sales, thus boosting profit.

  A customer who thinks about buying a pair of pants, for example, may not want to drive to the mall, park, walk to the store, find the pants and try them on. For that customer, she can go online at home and order the pants from the store's website. Another customer, however, might be in the store trying on the pants and decide she'd like them in a different color. In that case, she can use an in-store kiosk to find the pants in the preferred color, order them and have them delivered to her home. Still another customer can use her Smartphone to take a picture of the pants, send it to a friend and discuss whether to purchase them or not. Having a variety of engagement points gives retailers more tools to make a sale.

- **Better Data Collection :** Knowing the customer is a key tenant for successful retailing, and multi-channel engagement points provide more opportunities to gather information about customers. There are two benefits to the data collection offered by multi-channel retail: First, the possibility for gathering more information exists, and the information can be used more effectively.
- **Enhanced Productivity :** Multi-channel retailing offers benefits for more than shoppers. Workers, too, can benefit from the use of new technology, by arming them with more information and increasing their efficiency. A tablet, for example, frees employees from the point-of-sale system, instead allowing them to carry the register with them. Employees can go directly to the aid of customers, helping them to find out what is in stock, what is available at other stores and when new products might be launching. The tablet also can contain information about the loyalty program, so a frequent customer can be given VIP status. Then, when a purchase is ready to be made, the customer does not have to stand in line, but rather can simply continue talking to the salesperson and make her purchase via tablet.
- **Best Practices :** While every type of channel has its own unique set of challenges, there are some strategies that are true across all engagement points.
- **Be consistent :** Messaging across all channels should have the same look and feel; the customer should always know exactly what brand she is interacting with.

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"Traditionally, retailers have approached each channel individually," said Gustafson. "What is needed, though, is to create a single marketing message, and then figure out how to deploy it across all channels. The messaging doesn't have to be identical, but it all needs to be clearly related."

- **Provide a value-add** : Make sure each engagement point offers something to the customer. An in-store kiosk that simply accesses the company's website, for example, is not bringing anything unique to the customer; instead, she can check the website at home, on her own. The same is true of a tablet. If the salesperson with the tablet does not have access to more or better information than the customer can access via her own tablet or Smartphone, the application will not bring much value to the transaction.
- **Security :** There is a fine line between being helpful and being intrusive, and it's a line that is easily crossed. Customers are aware of security issues, and are wary of providing too much personal information.

2.11 Summary

A retail business that sells products or services that appeal to customers' needs has the ability to stand up against competition. Price, convenience and store experience are functional characteristics that make up a strong retail brand. The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. Saturated home markets, fierce competition and restrictive legislation have relentlessly pushed major food retailers into the globalization mode. The global retail industry has travelled a long way from a small beginning to an industry where the world wide retail sales alone is valued at $ 7 trillion. Organized retailing is spreading and making its presence felt in different parts of the country. India is world's second largest grower of fruits and vegetables after Brazil and China. Economic growth at over 5.5% over the last eight years, forex reserves of over $100 billion and a stable government has helped India to look more progressively towards future. Retailing, one of the largest sectors in the global economy, is going through a transition phase in India.

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2.12 Key Terms

Independent Retailer **:** In independent retailer is one who builds his/her business from the ground up

Multi-Level Marketing **:** Multilevel marketing (MLM) or network marketing is a business model where the selling of products depends on the people in the network.

Producer-Customer **:** This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers.

Convenience Stores **:** A convenience store is a small store that stocks a range of everyday items

2.13 Questions and Exercises

1. Discuss the retailer characteristics in India.
2. Explain food retailers.
3. Discuss the food retail in India.
4. Describe the key driver of food retail in India.
5. Explain the evolution of organized retailing.
6. What is the impact of organized retail in India?
7. Describe the general merchandise retailers.
8. Explain the different types of ownership.

2.14 Further Reading and References

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UNIT 3: STRATEGIC PLANNING IN RETAILING

3.0 Unit Objectives

After reading this unit, you should be able to discuss the retailing strategies, assess the international expansion efforts of the retailers and e explain the concept of retail value chain.

3.1 Introduction

"Strategy" means several things to several people at different points of time. It is fashionable nowadays to use the word 'strategy'. Hence, people talk about defense strategies, business strategies, strategies for games (be it cricket or chess), National Strategies, Global Strategies and many more strategies.

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The retailing strategy outlines the mission and vision of a retail organization. It is a systematic plan that provides the retailers the overall framework for dealing with competitors as well as technological and global movements. In the past traditional retailers mainly reacted to changes in the business environment, but with increasing business complexities, this is no longer valid. The reason of this, competition in all the disciplines of retailing is increasing and changes in the consumer's tastes, need, wants, technological environment and other external environmental variables are taking place very fast. Long term strategies and continuous examination of strengths, weaknesses, opportunities and threats (SWOT analysis) is required to ensure that the growth, opportunities are not missed and action is taken at the right time to combat potential threats in the prevailing business environment.

3.2 Retail Market Strategy

A company's strategy provides a central purpose and direction to the activities of the organization to the people who work in it, and often to the world outside. Using suitable strategies and communicating them to all important groups inside and outside the corporate firm would gain cooperation from all corners.

Strategy if defined clearly by the top management and accomplished well, provides the purpose and focus for all other activities and starts the organization on the road to successful operation. 'Every long journey starts with taking the first step', says a proverb. Obviously, the formulation of a strategy is only the beginning but the beginning is the most significant point in any enterprise.

3.3 Levels of Strategy for Retail Organizations

An organization's strategy includes where it wants to go and how it intends to get there. This definition applies both to the overall strategy of an organization and to the strategies of its major sub-units. The implications of strategy at different levels can be distinguished. Analytically, there are three levels of strategy:

- Corporate level strategy
- Business unit strategy or Retail Format level
- Functional level strategy

At the corporate level, strategic decisions relate to organization's wide policies and are most useful in the case of multidivisional companies or firms having wide ranging business interests. The nature of strategic decisions at the corporate level tend to be value oriented, conceptual and less concrete than decision at the business or functional level. There is also greater risk, cost and profit potential as well as greater need for flexibility associated with corporate level strategic activities. These are natural outcomes of the futuristic, innovative and pervasive character of corporate level strategy. Major financial policy decision involving acquisition, diversification and structural redesigning belong to the category of corporate strategy.

At business unit level (retail format level) decision-makers are primarily concerned with the immediate industry or product—market issue, and with policies bearing on the integration of the functional units. Retail business level strategic decisions translate the general statements of direction and intent generated at the corporate level into concrete functional objectives and strategies for divisions or strategic business units (operating division of a firm which serves a distinct product/market segment or a well-defined set of customers or a geographical area). Strategic decisions at the business level should include policies involving new product development, marketing mix, research and development, personnel etc.

Functional strategic level strategy involves decision making at the operational level with respect to specific functional areas-production, marketing, personnel, finance etc. Decisions at the functional level are often described as 'tactical' decisions. These decisions are necessarily guided by overall strategic considerations and must be consistent with the framework of business strategy.

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Check Your Progress

Explain the levels at which a retail organization's strategy is developed?

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3.4 Strategic Retail Planning Process

This text developing and applying retail strategy, retailers are required to follow a step-by-step procedure or planning process. The planning process involves the present stage of business, the formulation, lists of available strategic options, and the implementation of the selected strategies. Considering the importance of strategic decisions for the future success of the business, a systematic approach is essential. The strategic planning process, after considering the HR potential and the unique selling proposition (USP) of a particular store takes proper shape. Strategic retail planning process divided into the following four steps:

1. **Deciding the Store's Mission and Objectives :** The retail strategic planning process starts with the identification of a store's mission for its existence, and hence the scope of the retail store. The mission of a store is identifying the goods and services that will be offered to customers. It also deals with the issue of how the resources and capabilities of a store will be used to provide satisfaction to customers and how the store can compete in the target market vis-à-vis its competitors.

   The mission also involves the way of the store's functioning. How a store will work and accomplish its day-to-day operations. What is the emergency planning? All these questions are answered in the store's mission statement.

   For Example: Big Bazaar, they have philosophy of customer satisfaction through 'manufacturing retailing'. This reflect not only the way it tends to treat its customers but discuss secret of its competitive advantage, i.e. the profit saved from absence of intermediaries like agents and brokers, the profit saved is thus, distributed to the customers by way of low price items.

   Once the organization mission has been determined, its objectives the desired future positions that it wishes to reach, should be identified. A store's objectives are defined as ends that the store seeks to achieve by its USP and operations. The store's objectives may be classified into two parts:

- External store objectives: are those objectives that define the impact of store on its environment. Example: To develop high degree of customer confidence by providing quality goods at affordable price.
- Internal store objectives: Are those objectives that define how much is expected to be achieved with the available resources. Example: To raise the store turnover by 20% in the coming year.

2. **Situational Analysis :** The objective of doing store's situation analysis is to determine where the store is at present and to forecast where it will be if the formulated strategies are implemented. The difference between current and future position is known as planning. And the objective of conducting store's situation analysis, normally study in the context of external environment and internal environment.

3. **External Analysis** : The purpose of examining the store's external environment is to study the opportunities and threats in the retailing environment. The external analysis studies factors that affect the macro-environment of the retailing industry and the task environment. Under external analysis retailer studies these parameters:

   - Economic environment of retailing
   - Political/Legal environment of retailing
   - Socio-cultural environment of retailing
   - Technological environment of retailing
   - International environment of retailing

   Economic Environment of Retailing

   - Inflation
   - Employment
   - Disposal income

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- Business cycle
- Energy availability and cost
- Others

Political/Legal Environment of Retailing

- Monopolies legislation
- Environmental protection laws
- Taxation policy
- Employment laws
- Government policy
- Legislation
- Others

Socio-Cultural Environment of Retailing

- Demographics
- Distribution of income
- Social mobility
- Lifestyle changes
- Consumerism
- Levels of education
- Others

Technological Environment of Retailing

- New discoveries and innovations
- Speed of technology transfer
- Rates of obsolescence
- Internet
- Information technology
- Others

International Environment of Retailing

- Growth
- Opportunities
- Others

4. **Internal Analysis :** The objective of studying the internal environment of its own store is to identify the store's capabilities

and weakness. The store will try to increase its capabilities, and overcome the weaknesses that deter the business profit. While doing the internal analysis, the store examines the quality and quantity of its available resources and critically analysis how effectively these resources are used. These resources for the purpose of examining are normally grouped into human resource, financial resources, physical resources and intangible resources.

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The questions may arise under these resources:

Human Resource

- Is the present strength of employees at various levels sufficient for future action?
- Are the employees trained and capable to perform the tasks assigned to them?
- Are the employees loyal to the store?
- Are the employees punctual and regular?
- Are the employees skilled matched to their assigned tasks?

Financial Resource

- What is the total cash flow from the store's present activities?
- What is the ability of the retail store to collect money at the time of requirement/ emergency?
- How effective and stable are the financial policies?
- What is the ratio between fixed and current assets?
- What are the contingency plans in case of negative cash flow?

Physical Resources

- What is the contribution of fixed assets?
- What is the position of abandoned/unused assets?
- How effective and updated are the store's information systems?

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Intangible Resources

- What are the present capabilities of the company's management?
- How effective is the R&D cell?
- How good is the competitor's intelligence system?
- How effective are the store's loyalty programs?
- What is the capability of a retail store manager?
- Are customers loyal towards the company's products?

5. **Retail Strategy :** It is a clear and definite plan outlined by the retailer to tap the market. A plan to build a long-term relationship with the consumers. Process of strategy formulation in retail is the same as that for any other industry. It starts with the retailer defining or stating the mission for the organization.
6. **Mission :** The mission is at the core of the existence of the retailer. Other aspects of the strategy may change over a period of time or vary for different markets.

Functions of Retail Strategy

a. **Retail strategy define mission or purpose:** A Mission statement is a long term purpose of the organization. It describes what the retailer wishes to accomplish in the markets in which he chooses to operate. Retailers mission statement would normally highlight the following:
   - The products and services that will be offered.
   - The customers who will be served.
   - The geographic areas that the organization chooses to operate in the manner in which the firm intends to compete.

b. **Retail strategy conduct a situation analysis :** Once the retail mission is defined, the retail organization needs to look inwards; Understand what its strengths and weaknesses are; Look outwards to analyze its opportunities and threats; Situation analysis helps the retailer determine his position and his strengths and weaknesses; Helps formulate a clear picture of the advantages and opportunities which can be exploited; The weaknesses need to be worked upon. This forms the basis or the core element of any strategy.

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c. **Retail strategy identify options/strategic alternatives :** After determining the strengths and weaknesses vis-à-vis one environment retailer needs to consider various alternatives available to tap a particular market. Igor Ansoff presented a matrix which looked at growth opportunities. He focused on firm's present and potential products in the existing and new markets. Ansoff's matrix also helps to understand the options available to a retailer.

   The alternatives available to a retailer are: Market Penetration, Market Development, Retail Format Development and Diversification.

d. **Retail strategy set objectives :** Translation of mission statement into operational terms Indicate Results to be achieved. Give direction to and set standards for the measurement of performance. Management sets both long term and short-term objectives. One or two year time frames for achieving specific targets are short-term objectives. Long term objectives are less specific and reflect the strategic dimension of the firm. Two important focus areas of retailers are Market Performance and Financial Performance. Objectives are set keeping these focus areas in mind Sales volume targets. Market hare targets Profitability targets Liquidity targets Returns on investment targets.

e. **Retail strategy obtain and allocate resources needed to compete Resources needed by a retailer:** First, Human Resource (HR) plan must be consistent with overall strategy of the organization. HR management focuses on

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issues such as recruiting, selecting, training, compensating, and motivating personnel. These activities must be managed effectively and efficiently. Second, Financial Resources takes care of the monetary aspects of business shop rent, salaries and payments for merchandise.

f. **Retail strategy develop the strategic plan :** At this stage, strategy is determined through which retailer will achieve objectives. The retailer determines and defines his target market. The retailer finalizes the retail mix that will serve the audience. Target Market – that segment of consumer market that the retail organization decides to serve. No definite process of deciding and selecting the target market. Most retailers look at the entire market in terms of both size and consumer segments to which it might appeal. From these segments, he identifies smaller number of segments that appear promising. These become possible targets. Variables like growth potential, investment needed to compete, the strength of competition, etc. are evaluated. This enables the retailer to arrive at the best alternative that is most compatible with the organizations resources and skills.

Check Your Progress

Discuss about the target market and retail formats in retailing?

g. **Retail strategy implement the strategy :** Implementation is the key to success of any strategy. Effective implementation of the retailers desired positioning requires. Every aspect of stores to be focused on the target market. Merchandising must be single-minded. Displays must appeal to target market. Advertising must talk to the target market. Personnel must have empathy for the target market. Customer service must be designed with the target customer in mind.

h. **Evaluate and Control :** After implementation, the management needs feedback and should focus on Performance Effectiveness of long term strategy by periodic evaluation. Ensuring that the plans do not degenerate into fragmented adhoc efforts. Ensuring that all efforts are in harmony with the overall competitive strategy of business. Management can also use the process to decide on. Any future policy change. Modifications if any, in the plan, to ensure that the combination of the retailing mix variables support the firms strategy.

7. **Strategy Implementation and Control:** It is concerned with the designing and management of retail system to achieve the best possible combination of human, financial, physical and service resources of a retail store; to achieve the formulated objectives, without timely and effective implementation also requires scheduling and coordination of various retail activities.

Further, the spirit of teamwork is an essential part for the success of strategy implementation. If the retail store's strategies are competitive, marketing efforts are as per demand, but the sales promotion employees are not taking it seriously or are ineffective, the result will not be up to the mark. The implementation of new retailing strategies sometimes require changes in the way of functioning and duties that can lead to resistance from employees. Therefore, stores should take positive steps to reduce this resistance to change and to convince the employees that it in the long term will be beneficial for both the store and the employees. Strategy control deals in three basic concepts :

a. **Inspection**
b. **Detection**
c. **Correction**

It means after implementing the retail strategies, a retailer should assess how effectively the strategies are being implemented, how far the strategic objectives are being achieved and what has been left to be achieved in the store's objectives list. Therefore, retailers inspect the implemented strategies from time to time and detect any fault in the implementation of various retail elements. If any deficiency is found during the inspection process that has to be corrected with immediate effect without any further loss to the store.

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3.5 Alternate Retail Strategies

Given that the objectives are well articulated, resources are well managed but when it comes to implementation due to sudden change in internal or external environment, the old concepts or formulated policies become invalid. Now what should a retail manager do, this is not an uncommon phenomenon but can happen to any retailer. It has rightly been said that 'think positive but the prepared for the worst'. Considering retailers, who are sensitive to environmental changes, they always prepare a set of alternative strategies, in case change in technology or change in customer's preferences make the present schemes ineffective.

3.6 Target Market and Retail Formats

The retailing concept emphasizes that retailers must consider both their customers and their competitors when developing a retail strategy. Successful retailers satisfy the needs of customers in their target market segment better than the competition does. The selection of a target market focuses the retailer on a group of consumers whose needs it will attempt to satisfy. The selection of a retail format outlines the retail mix to be used to satisfy needs of customers in the target market.

The retail strategy determines the markets in which a retailer will compete. Traditional markets, like a farmers' market, are places where buyers and sellers meet and make transactions – say, a consumer buys six ears of corn from a farmer. But in modern markets, potential buyers and sellers aren't located in one place. Transactions can occur without face-to-face interactions. For example, many customers contact retailers and place orders over the Internet using a computer.

Vie define a retail market, not as a specific place where buyers and sellers meet, but as a group of consumers with similar needs (a market segment) and a group of retailers using a similar retail format to satisfy those consumer needs. A number of retail formats offers a different retail mix to its customers. Customer segments are listed in the exhibit's top row. As these segments can be defined in terms of the customer's demographics, lifestyle, buying situation, or benefits sought. In this illustration, we divide the market into three fashion-related segments: conservatives who place little importance on fashion, traditional who 'want classic styles, and fashion-forwards who want the most fashionable merchandise. For example, Wal-Mart and Kmart stores in the same geographic area compete with each other using a discount store format targeting conservative customers, while Saks and Neiman Narcus compete against each other with a department store format targeting the fashion-forward segment. Retail formats could be expanded to include outlet stores and electronic retailing. Rather than being segmented by fashion orientation.

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One of the key determinants of a retailer's success is the format that they use to present to their target customers. A retailer can chose a format based on the kind of store design they want to render, the locality they would like to establish, the various products and services they wish to provide and the approach taken to pricing. The most important aspect is the format should be ideal to their target demographics.

3.7 International Retailing

International retailing is an essential ingredient for the global economy. International retailing satisfies the increasingly complex and demanding needs of global consumers.

Global retailers are at the forefront of technology change to manage their operations and consumer interface. Consumers are international in their outlook through traveling for business through accessing the Internet, music, television and magazines, and so are looking for new experiences and a global appeal when shopping. Progressive retailers have to meet this

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demand through keeping abreast of global trends and working with suppliers to optimize the appropriate product mix in store. Sustainability and ethical aspects of retailing are particularly apt when working globally. This is a challenging area for retailers and is an aspect of their quality management.

Addressing the dynamics of the market for teenagers and youth market is another demanding area. Young consumers have their own finance and make their own decisions about what products they chose to buy and where from. They tend to be strongly influenced by celebrities, brands and peer-group pressure. Retailers need to understand their shopping habits and cater for the needs of this cohort. In general, consumers are increasingly brand aware and want to have access to luxury products. Own brands, or private labels, have to offer premium quality and a sense of uniqueness to attract and retain consumers' loyalty.

Retailers have long operated on global basis, yet it is only since the last decade or so of the twentieth century that they have done so on any significant scale. In the past, companies trading outside their home market were rare by comparison with number of retailers operating solely within the domestic market. Also global operation usually accounted for a much smaller part of the business than domestic trade. However, the larger retail companies that have successfully developed their marketing strategy and human resource base in the domestic market are well suited to extend development into global markets.

Other smaller players that have powerful brand and a strong retail concept also have the ability to globalize successfully through using a lower cost and risk strategy such as that of franchise.

Caselet :

Starbucks' Expansion into the Indian Territory

Starbucks aims to open 50 outlets in India by 2012's end, through a 50-50 joint venture with Tata Global Beverages, the companies said Monday.

Tata Starbucks Ltd., as their venture is known, hopes to capitalize on the rising aspirations and fattening wallets – of many Indians, who are eager to partake of the global latter life.

"What we are seeing is an evolution in lifestyles," said R. K. Krishna Kumar, vice chairman of Tata Global Beverages. "In some ways the distinctions between the developed world and the developing world are blurring."

He said the partners would initially invest 4 billion rupees ($80 million), with the first outlet to open in Mumbai or New Delhi by September.

Long known as a nation of tea drinkers – despite a rich tradition of coffee in the south India has embraced coffee house culture with a vengeance.

Last year, India had 1,600 cafes, up from just 700 in 2007, according to Techno Pak Advisors, which expects India's $170 million cafe market to grow 30 percent a year, adding up to 2,700 more outlets over the next five years.

"We're going to move as fast as possible in opening as many stores as we can so long as we are successful and so long as we are embraced by the Indian consumers," said John Culver, president of Starbucks China and Asia Pacific.

Unusually, the stores will be cobranded "Starbucks Coffee: A Tata Alliance."

The companies will also develop a tea for the Indian market under the Tata Tazo brand.

Top of Form

Bottom of Form

Last January, Starbucks signed an agreement with Tata Coffee, a unit of Tata Global

Beverages, to source and roast coffee beans in India.

The alliance with Tata could help ease one of the main burdens for retailers in India: the high cost of real estate.

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3.8 Summary

Retailing is the latest buzzword among the business. It is evolving into a global, high-tech business and occupies a pre-eminent position in the economics of all modern societies. The Indian retailing Industry is becoming intensely competitive, as more and more players are vying for the same set of customers. Strategy planning or formulation of strategy consists of a set of decisions that leads to the development of an effective strategy. We check all the activities related to the internal and external factor those affect directly or indirectly to the organization. Companies need to categories segments according to their present and future attractiveness and their company's strengths and capabilities relative to different segments' needs and competitive situation. Strategic retail planning process divided into the following steps: Deciding the store's mission and objectives, Situation analysis, Formulation of retail strategy, and Implementation and control of strategy. International retailing is an essential ingredient for the global economy. International retailing satisfies the increasingly complex and demanding needs of global consumers. Retailing is predominantly a domestic market activity. The total business of the vast majority of retailers is done within one particular country and in many cases, within one specific region or district.

3.9 Key Terms

Retail Strategy **:** It is a clear and definite plan outlined by the retailer to tap the market.

Corporate Level Strategy **:** At the corporate level, strategic decisions relate to organization's wide policies and are most useful in the case of multidivisional companies or firms having wide ranging business interests.

Target Market **:** A defined market.

3.10 Questions and Exercises

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1. "Retailing today is at an interesting cross road." Elaborate.
2. "The Indian retail market is quite large but highly fragmented." Do you agree? Justify your answer.
3. Explain the levels at which a retail organization's strategy is developed.
4. Discuss the retail strategy planning process in detail.
5. "International retailing is an essential ingredient for the global economy." Substantiate.
6. Retailing is predominantly a domestic market activity. Do you agree with the statement? Why or why not?
7. Discuss about the target market and retail formats in retailing.

3.11 Further Reading and References

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UNIT 4: DECISION ON RETAIL LOCATION

4.0 Unit Objectives

After reading this unit, you should be able to describe the location and retail strategy, explain the trade area characteristics and estimate potential sales for a store site.

4.1 Introduction

The overall objective of retail marketing is creating and developing services and products that meet the specific needs of customers and offering these products at competitive, reasonable prices that will still yield profits. Businesses must realize that, in retail, the customer lies at the center of any organization's marketing efforts, determining the overall success of the product or service.

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4.2 Types of Retail Locations

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.

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Check Your Progress

Explain about types of locations?

4.3 Location and Retail Trends

Nationwide, the retail sector enjoyed robust growth during the first half of the decade, due in great part to the continued expansion of big boxes. The excitement, however, is dying down, as several category-killer retailers experience slowing sales. The once-zealous players are becoming more cautious, and once again the rules of the game are changing for developers and commercial brokers.

- **New Development Drivers :** Traditionally, retail centers have been defined as either regional, community, or neighborhood, with standard tenants for each of these categories. Recently, though, the lines have blurred, as discount department stores anchor regional malls and traditional mall tenants move in-line at strip centers or into freestanding locations.

  The three familiar categories have now polarized into either regional or neighborhood locations. Lackluster performance has caused the retreat or merger of a number of retail chains, both large and small. The theatre and entertainment group, once shunned by many developers and anchor retailers, is fast becoming the darling of the industry. And in the wake of continuing retail bankruptcies and mergers, capital markets are taking a closer look at new development. In fact, many financial institutions have reallocated funds for property types, dropping retail from the most-favored status.

  With fewer dollars focused on this overbuilt market-and cautious tenants becoming more selective in choosing new locations-developers and retailers must be more creative. As a result, new deals will rely less on the credit of the tenant and more on the developer's use and positioning of a site as it relates to the market.

- **Location, Location, Location? :** What does all of this mean if you have a site looking for a use or a use looking for a site? Throw out those preconceived ideas about location, as the old adage is in a state of evolution. Market, market, market is a more-appropriate concept for the future as retailers and developers alike ask not "Is this a good location," but rather "Is this the best location in the market, given the competition?"

Historically, the criteria for many retailers has included a location on Main and Main, with a minimum population within a specific radius, generally concentric rings of 1, 3, 5, or 10 miles. But providing demographics based on concentric rings and identifying the competition are no longer enough to sell a buyer on a location. Road systems, buyer preferences, and new venues of competition must now be considered, making use of the new technologically advanced systems that overlay mapping, demographics, and other data.

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Consistency in consumer behavior also plays a part in the decision-making process, as cluster analysis, which identifies similar behavior patterns within similar demographic tracts, becomes prevalent. Psychographics-adding psychology, behavior, and lifestyles to demographic data-is also being utilized. For example, the shopping patterns in the Midwest are not the same as those in the New York City metropolitan area when parking, road access, and visibility are considered.

Providing information on the existing, proposed, and potential competition surrounding each site is critical when reviewing any location. Geodemographic systems have quickly become the choice among savvy market researchers, as the use of one or more of these systems has proved successful in selecting new store locations. Doing research and providing this information are now key to satisfying retailers and capital markets.

Retailers, developers, and brokers must push the envelope and look beyond the obvious to find creative options. For example, Tandy's Incredible Universe, the cutting edge of electronic retailing, includes in-store McDonald's in its 185,000 square foot stores. Brand recognition has made Starbucks a household word, with locations in malls, airports, stadiums, and most recently, flying the friendly skies with United Airlines.

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- **Current Trends :** With many retailers opting for locations in more densely populated areas, sites currently occupied for other uses are finding new life as adaptive reuse becomes the standard in urban economic development. Many of the nation's retailers are discovering the substantial dollar volumes that are largely untapped in the major urban markets. Obsolescent industrial buildings in A locations are making way for new supermarkets, Wal-Marts, and Home Depots across the country. In fact, Wal-Mart is considering obsolescence in its new prototype by designing stores that can be converted into multifamily housing in the future. Communities with enterprise zones and other economic incentives are getting a second chance as retailers rediscover downtown in more-affluent markets. **A)** shining example is the Circle Centre redevelopment in Indiana polis. **B)** locations, or those neighborhood centers once anchored by supermarkets, are getting a breath of new life from Rite Aid, Walgreens, and CVS as consumers yearn for service and convenience.

  In addition, the surviving supermarkets and large discount department stores are anchoring regional malls. K mart now focuses on its superstore concept in metropolitan locations, with Wal-Mart continuing to identify gaps in suburban markets. There are fewer active big-box players; therefore, opportunities for regional mall locations, as they become repositioned, will become more prevalent.

- **The Challenge of Cyber Retailing :** Technology is making a dramatic impact on the retail industry as a whole. A recent Gallup Poll study concluded that 40 percent of all shoppers are now using non-store venues to make some of their purchases. Another recent study concluded that electronic shopping could shift 10 percent to 20 percent of sales away from retail stores.

  In addition to catalog and TV shopping, cyber retailing has entered the scene, and continuing advances in info technology will make home shopping more desirable. Many retailers now have World Wide Web pages on the Internet to market their goods, making cyberspace the great equalizer as retailers of all sizes compete on an even electronic playing field.

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At a recent panel discussion regarding retail strategies, a panelist and counsel for a major supermarket company in the Northeast stated that his company is "rethinking" the concept of the 25-year lease, as the speed of technology is changing the way retailing will be done in the future. The Catalina Marketing Corporation is currently beta testing a new Web site that will allow consumers to comparison shop at local supermarkets. The site also provides online advertising from manufacturers and coupons that consumers can print from their home computers.

Ultimately these technological changes will result in a reduced need for physical space as retailers expand electronically. Tenants that may disappear from shopping centers include camera and photo-processing stores (as digital cameras, without film, become more popular), travel offices, music stores, and bank branches (that are meeting and serving customers online, greatly reducing costs).

All of these factors will diminish the value of location. Eventually consumers will come to value the convenience of shopping online over the need to personally pick out products, just as they have with catalog shopping. For example, if a retailer were to offer its products online, the customer who wants to touch and try on the products at a regional location could do so; others could stay at home, make a selection, place an order, and await delivery. The retailer would eliminate the need for a location in every market.

As an example, consider L.L. Bean, the leader in catalog retailing; most consumers know where they can visit its stores. Becoming a destination retailer, less emphasis is placed on location.

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With fewer retailers needing fewer locations, there will be an abundance of good locations. We see this trend already as the vacancies for traditional strip centers increase and their lease rates decrease.

- **The Next Trend :** Will all of this technology eliminate the need for us to leave our homes? Human beings are by nature social creatures. Therefore, shopping will evolve into places for entertainment and socialization. In many areas of the country, particularly the waterfronts, we have already seen this new breed of retailers clustering around entertainment venues and tourist destinations. Now that value pricing has left its mark, customer service and entertainment will again become the hallmarks of retailing.

  For example, theater chains and other entertainment venues are taking center stage as the anchors of new retail centers. The newest entertainment concept is Sega Game Works, a 5,000-to-30,000-square-foot venture between Steven Spielberg's DreamWorks, MCA/Universal, and Sega. Approximately 20 freestanding and/or mall locations across the country are planned, with the first to open in late 1996 in downtown Seattle. National and regional restaurant groups are complementing the mix of this new environment.

- **Under All Is the Land :** In many areas, few choice undeveloped sites-level and visible from the highway or easily accessible-are still available. Those remaining may have any number of challenges associated with them. Determining and providing the following information to the developer or user will undoubtedly expedite the process, and surprisingly, is often overlooked.

  a. Physical constraints: Does the site have difficult topography? Are the soil conditions such Notes that blasting will be required? A review by a geologist will quickly assist in determining whether the soil conditions will result in any unusual site costs. Are there any easements or rights of way that will affect access or use of the site? Do a title search earlier rather than later to identify any potential negotiations with additional third parties.

b. Conservation issues: Are wetlands on the site? Are they regulated by the state or federal government? Is the site in an established flood plain area? Reviewing local or county soils and flood plain maps will reveal these facts. Additionally, if you suspect that the site may be home to some rare species of plant or animal life, consult with a qualified botanist or biologist to avoid any surprises.

c. Environmental dilemmas: Phases I and II audits may be warranted on the site-certainly any financial institution will require a preliminary study. Understanding state and federal environmental protection laws is important; however, be sure to include the reporting criteria from your lender in any requests for proposals to environmental review companies, because many of their guidelines now go beyond state or federal regulations.

Assembling a qualified and experienced team of professional consultants is critical to the success of any project. Site selection and development focus on managing the process versus monitoring the transaction.

- **The Players :** In addition to the developers, professional consultants, brokers, and tenants, today communities themselves are very much a part of the success or failure of proposed retail projects. Citizens are more educated, sophisticated, and involved in the development of their communities. Organized grass-roots efforts opposing retail projects are no longer the exception but the norm. Community public relations is an important early step to identify opposition groups and potential objections so that issues can be negotiated and projects are presented in a manner that will win all necessary approvals. Satisfying the concerns of the municipal planning and zoning boards

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is critical; however, the potential always exists for a "change of heart" by one board member as a result of pressures from organized, vocal opposition-which could prove fatal to a project. In a few areas, the competition among tenants has created direct or indirect opposition for projects-an expensive lesson to learn and too often overlooked by developers.

Increased site costs, costs to development of community opposition, high land prices, and changing tax laws, including the new impairment standard (FASB Statement number 121) and IRS Section 263A (capitalizing unimproved land development costs) have contributed to rising project costs. As a result, many retailers have found themselves in the development business to maintain already thin profit margins and meet their objectives for new locations. Other new players in the site development arena include real estate investment trusts, which will continue to see mergers as shareholders demand favorable returns.

Check Your Progress

Discuss about common area maintenance?

The changing rules of retail raise as many questions about site selection as they answer. For instance, what will happen when category-killer retailers finally "kill" off each other? Will we see a vast landscape of big boxes waiting for redevelopment? Will cyber retailing live up to its hype and actually decrease the need for retail space? Consider the coming decrease in disposable income-expected to drop off after 1996-as well as the compression of the retail cycle (concepts that once took 10 years to mature now fade after five or six years). These are the factors that will continue to influence retailers in their search for perfect locations. Flexibility and preparedness will aid savvy developers and brokers in staying one step ahead of the game.

4.4 Legal Considerations in Retailing

Retailers have realized the advantages of reflecting an ethical sense in business operations. The organizational environment plays a major role in the kind of ethical sense the employees possess. Retailers are trying to ensure that their employees behave ethically. Though there are many laws influencing the business environment of the retailer, there are many more aspects that come under the purview of ethics. These aspects concern the merchandise buying and selling practices in the firm. Retailers also need to be socially responsible and environmentally concerned. They often undertake activities that are beneficial to the society. Retailers are also taking measures for waste reduction, trying to recycle the materials used and are switching over to environment friendly packaging materials.

Legislation governs the retail firm's operations and relations with its channel partners. Its relations with suppliers, competitors, consumers and employees are governed by appropriate laws. Legal restrictions are imposed on practices concerning pricing, product, promotion, distribution, trademarks and HR policies.

4.5 Location Considerations for Retail Business

One of the most dangerous times in the life of a small retail business is when the owner must relocate because the business is growing and the existing facility is no longer adequate. This is a nice problem to have, but choosing the wrong new location can kill the growing business. Retail locations must have high visibility and easy accessibility to succeed. There are many criteria to consider when choosing a new location. Too often, business owners make assumptions about the new location without taking time to do the necessary research to evaluate the decision. The following discussion includes some of the most important location considerations for a retail business.

Choose a High Density Area: This seems obvious, but many times business owners assume a location is right and that there are plenty of potential customers without actually looking at the numbers. Take time to research the area and find out the actual population of the area and the

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make-up of the population.

Choose a Growing Area: In addition to knowing the population of an area, be sure to research the growth that is taking place, in terms of both residential population and number of business establishments. Look for new construction of subdivisions, office buildings, shopping centers, etc.

Consider Customer Convenience: The flow of customers into, throughout, and out of your store should be easy and convenient for the customers. Without proper planning, it is easy to design your location for the convenience of owners, store operations, and employees without taking customer satisfaction into consideration.

Consider the Parking Situation: Not only should there be plenty of parking for your customers, it should be convenient and safe. Customers tend to want to park very close by your entrance and are concerned about remote and poorly lit parking areas. Also, be sure the parking lot is level, smooth, with well-marked spaces and arrows indicating flow of vehicles. Make sure customers have plenty of room to park and to maneuver.

Beware of Curves: Locating on a curve can make it difficult for approaching vehicles to see your business from very far off. By the time they see your business, it may be difficult and even dangerous for them to stop and turn into your location. This is particularly true of locations on the inside of curves. And once they have passed you, they are unlikely to turn around and come back due to the inconvenience.

Beware of Dead Ends: Dead end roads mean there will be less traffic moving back and forth in front of your location. And a no-outlet dead end road reduces traffic even more and is an inconvenience for potential customers.

Beware of One-Way Streets: Locating on a one-way street exposes your business to the traffic traveling in only one direction. In addition, it will be more difficult for your potential customers to access your location.

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Choose the Correct Side of the Street: Consider which side of the street may be more beneficial to your particular type of business. Learn about the traffic patterns in the area. Evaluate your customers' habits and determine whether your location should be more convenient for persons traveling to work, from work, or to run errands and accomplish shopping goals.

4.6 Evaluating a site for Locating a Retail Store

In making this decision, retailers consider the following three factors:

a. The characteristics of the site.

b. Trading area characteristics.

c. The estimated potential that can be generated by a store at the site.

Where you choose to locate your retail business will have a major impact on everything your shop does. The difference between selecting the wrong location and the right site could be the difference between business failure and success.

Before choosing a retail store location, define how you see your business, both now and in the future.

- What do your customers look like?
- Can you visualize your building?
- Do you know what you want to sell and what you want your business to be known for?
- Have you determined how much retail space, storage area, or the size of the office you need?

Without the answers to these basic questions, it will be hard to find the perfect location for generating the maximum amount of profit for your retail store.

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- **Type of Goods :** Examine what kind of products you sell, as some goods will require certain types of locations. Would your store be considered a convenience store, a specialty shop or a shopping store?

  Convenience goods require easy access, allowing the customer to quickly make a purchase. A mall would not be a good location for convenience goods. This product type is lower priced and purchased by a wide range of customers.

  Specialty goods are more unique than most products and customers generally won't mind travelling out of the way to purchase this type of product. This type of store may also do well near other shopping stores.

A shopping store usually sells items at a higher price which are bought infrequently by the customer. Furniture, cars and upscale clothing are examples of goods found at a shopping store. Because the prices of these items are higher, this type of customer will want to compare prices before making a purchase. Therefore, retailers will do well to locate their store near like stores.

4.7 Trade Area Characteristics

Trade area analysis and mapping describe the characteristics of the area around a store or network of stores. Without accurate trade area definitions, you cannot measure the key statistics that impact a store's performance.

Use trade area analysis to aid site selection and target marketing.

Trade area analysis and mapping tell you:

- Where a store's customers are coming from
- How many customers you have in a trade area
- Where to look for more customers

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Benefits of Trade Area Analysis

- Identify gaps or overlaps in the market coverage of your existing store network, and make corrections by opening, closing or moving stores.
- Make better site selection decisions by using characteristics of existing trade areas to predict trade areas around potential locations.
- Define a geographic area to analyze for market potential, market penetration, and competitive threats.
- Become more efficient and effective at target marketing by reaching out only to those customers and prospects in a store's trade area.
- Use as a key input into customer profiling

4.8 Summary

A primary goal of retail marketing is understanding the connections between the customer's lifestyle and spending characteristics and why they choose one product over another. Businesses must test to ensure that they are sending the appropriate message to the appropriate households. To increase customer loyalty, businesses must develop relationships with customers, continually selling the value of the product in their situation.

Strip malls and other attached, adjoining retail locations will also have guidelines or rules for how they prefer their tenants to do business. Retailers have realized the advantages of reflecting an ethical sense in business operations. The organizational environment plays a major role in the kind of ethical sense the employees possess.

4.9 Key Terms

***Convenience Goods* :** A convenience good is a consumer item that is widely available and purchased frequently with minimal effort.

***Retail Outlets* :** A store that sells smaller quantities of products or services to the general public.

***Retail Location* :** A space used for the selling of goods to consumers.

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4.10 Questions and Exercises

1. Explain about types of locations.
2. Discuss about location and retail strategy.
3. Explain the legal considerations.
4. What do you know about trade area characteristics?
5. Analyze the potential sales of a store site.
6. Discuss about negotiating lease.
7. Discuss about common area maintenance.

4.11 Further Reading and References

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UNIT 5 : MANAGEMENT OF RETAIL BUSINESS

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5.0 Unit Objectives

5.1 Introduction

5.2 Retail Market Segmentation & Strategies

- 5.2.1 Market Segmentation
- 5.2.2 Types of Retail Markets
- 5.2.3 Retail Strategy
- 5.2.4 Strategies for Effective Market Segmentation
- 5.2.5 Strategies for Market Penetration
- 5.2.6 Growth Strategies

5.3 Retail Business Location

- 5.3.1 Importance of Location in Retail Business
- 5.3.2 Types of Business Locations
- 5.3.3 Factors Determining Retail Locations
- 5.3.4 Steps to Choose the Right Retail Location
- 5.3.5 Measuring the Success of Location

5.4 Merchandise Management

- 5.4.1 Merchandising
- 5.4.2 Factors Influencing Merchandising
- 5.4.3 Functions of a Merchandising Manager
- 5.4.4 Merchandise Planning
- 5.4.5 Merchandise Buying
- 5.4.6 Merchandise Performance

5.5 Retail Business Operations

- 5.5.1 Store Management
- 5.5.2 Premises Management
- 5.5.3 Inventory Management
- 5.5.4 Receipt Management
- 5.5.5 Supply Chain Management and Logistics

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5.0 Unit Objectives

After reading this unit you should be able to:

- Describe and discuss retail marketing strategies.
- Identify appropriate retail business location.
- Explain merchandise management.
- Differentiate between organized and unorganized retail.
- Discuss retail business operations.

5.1 Introduction

The distribution of goods and services starts with the manufacturer and finishes at the purchaser. Between the maker and shopper there is a middle man – who is retailer and bridges the gap between the producer and the consumer. The word "Retail" is derived from the French word retailer which implies " to cut a piece off' or to break mass. India has frequently been known as a country of retailers. Probably the purpose behind this is; that, an extensive number of retail endeavors exist in India.

In India there are over 15 million mom-and-pop stores98% are little privately-owned companies, using just family work.

5.2 Retail Market Segmentation & Strategies

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Market segmentation gives a practical understanding of the retail clients' necessities. With the unique comprehension of business sector division, retail managers and marketing personnel can formulate strategy to contact the clients with particular needs and preferences.

"Market segmentation is the natural result of vast differences among people."

Donald Norman (Director, the Design Lab)

5.2.1 Market Segmentation

It is a procedure by which the clients are partitioned into identifiable gatherings in view of their item or administration prerequisites. Market division is exceptionally valuable for the advertising power of the retail association to make a custom promoting blend for particular gatherings. For example, retailers or manufacturers of the most extreme high fashion apparel may only sell their clothing in exclusive markets like New York City and Los Angeles. Market division can likewise be directed in light of client's sex, age, religion, nationality, society, calling, and inclinations.

Check Your Progress

How many types of retail markets are there?

5.2.2 Types of Retail Markets

There are two types of retails "Organized Retail and Unorganized Retail".

A. **Organized Retail :** 'Organized Retail refers to the set-up of any retail chain supported by a well defined Supply Chain which usually has a small number of middlemen when compared to the unorganized sector.

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

The following are differences between organized retail and unorganized retail :

1. **Scale of Operations:** The scale of operations in organized retail market is large i.e. expanded worldwide where as in unorganized retail market it is small and limited locally.
2. **Employees:** The employees are professional, skilled and trained in organized retail market where as in unorganized retail market employees are not professionally trained.
3. **Number of Stores :** There is chain of multiple stores in organized retail market whereas in unorganized retail market the store number is limited to 2-3 stores within the city or nearby places.
4. **Ambience of Store :** The ambience of store in organized retail market is very pleasant and attractive vice versa in unorganized retail market i.e. there is lack of good ambience.
5. **Bargaining :** Pricing policy does not depend on customer relationship so here bargaining has no scope in organized retail market while in unorganized retail market Pricing policy depends on customer relationship so bargaining is possible in unorganized retail market.
6. **Shopping experience :** Shopping experience is excellent, memorable, engaging in organized retail market while in unorganized retail market it is average.
7. **Range of products :** In organized retail market there is availability of wide range of products across the nations

while in unorganized retail market only a range of local products is available.

8. **Source of merchandise :** It is marketed or sold directly through manufacturer or producer in organized retail market where as in unorganized retail market it is traded mostly through wholesalers.
9. **Convenience of choosing products :** Convenience of choosing products is very high, so that customer can freely walk around and choose the product while in unorganized retail market it is very less.
10. **Examples :** Reliance, D-mart, Star Bazaar, Central Mall are examples of organized retail market and standalone shops in any cities are examples of unorganized retail market.

5.2.3 Retail Strategy

It is an arrangement planned by a retail association on how the business means to offer its items and services to the clients. There can be different systems, for example, stock methodology, own-image technique, advancement procedure, to give some examples. The retailer's objective business sector, Retail design the retailer works out to fulfill the objective business sector's needs and Sustainable upper hand are components of retail methodology.

5.2.4 Strategies for Effective Market Segmentation

For viable business sector division, the accompanying two methodologies are utilized by the showcasing power of the association:

1. **Concentration (Niche) Strategy :** Under this methodology, an association centers following expansive offer of one and only or not many segment(s). This

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procedure gives a differential preferred standpoint over contending associations which are not exclusively focusing on one section. For instance, Toyota utilizes this technique by offering different models under half breed vehicles market.

2. **Multi-segment Strategy :** Under this procedure, an association centers its advertising endeavors on two or more unique business sector fragments. For instance, Johnson and Johnson offer human services items in the scope of child consideration, healthy skin, nutritionals, and vision watch over the clients of any age.

5.2.5 Strategies for Market Penetration

Market penetration strategies include the following:

1. **Price Penetration :** It is setting the cost of the item or administration lesser than that of the contender's item or administration. Because of diminished cost, volume may build which can keep up a respectable level of benefit.
2. **Aggressive Promotion :** Expanding item or administration advancement on television, print media, radio stations, messages, pulls the clients and drives them to view and profit the item or administration. By offering rebates, different purchasing plans alongside the additional advantages can be helpful in high market entrance.
3. **High Product Distribution :** By appropriating the item or administration up to the level of immersion helps entrance of business sector in a better way. For instance, Coca Cola has a high dissemination and is accessible wherever from little shops to hypermarkets.

5.2.6 Growth Strategies

On the off chance that a retail association conducts SWOT Investigation (Quality, Shortcoming, Opportunity, Danger) before considering development techniques, it is useful for breaking down the association's present procedure and arranging the development system.

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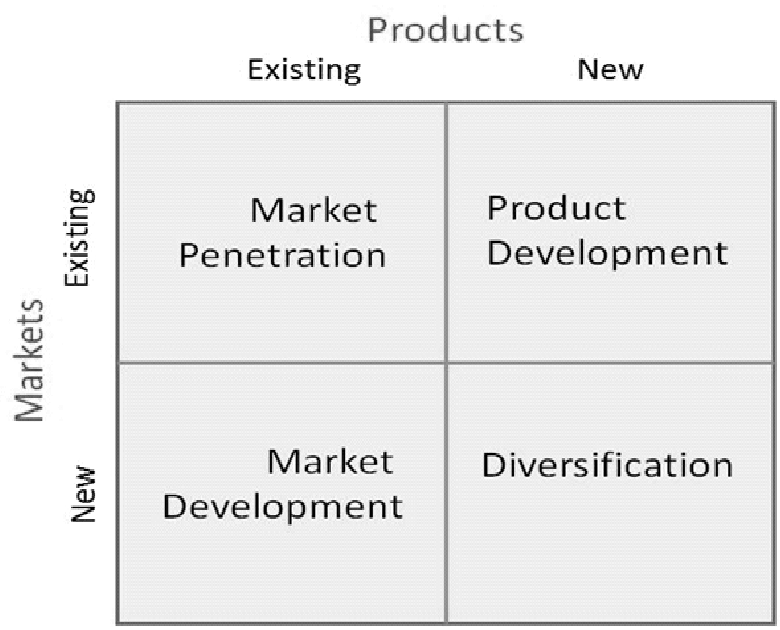
1. **Ansoff's Matrix :** An American arranging master named Igor Ansoff built up a key arranging instrument that presents four option development procedures. On one measurement there are items and on the other are markets.



(Source : New Corporate Strategy, 1988, New York Wiley)

This matrix provides strategies for market growth. Here is the sequence of these strategies:

- **Market Penetration**: Company concentrates on offering the current items or administrations in the current business sector for higher piece of the overall industry.
- **Market Development**: Company concentrates on offering existing items or administrations to new markets or market portions.

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- **Product Development**: Company takes a shot at advancements in existing items or growing new items for the current business sector.
- **Diversification**: Company deals with growing new items or administrations for new markets.

5.3 Retail Business Location

Before visiting a mall or a shop, the first question that arises in consumers' mind is, "How far do I have to walk or drive?"In populous cities such as Mumbai, Delhi, Banglore, and Chennai to name a few, consumers face rush-hour traffic jams because of road structure. In such cases, to access a retail outlet to procure day-to-day needs becomes very difficult. It is very important for the consumers to have retail stores near to their residence.

5.3.1 Importance of Location in Retail Business

Retail location area is additionally a critical component for the promoting group to consider while setting retail advertising technique. Here are a few reasons:

- Business area is an odd variable which the contenders can't mirror. So, it can give a solid upper hand.
- Selection of retail store is a long term choice.
- It requires long term capital investment.
- Good location is the major component for drawing in clients to the outlet.
- Locations can change customers purchasing behavior.

5.3.2 Types of Business Locations

A trade zone is a territory where the retailer draws in clients. It is likewise called catchment region. There are three essential sorts of trade zones:

1. **Solitary Sites :** These are without single standing shops/outlets, which are segregated from different retailers. They are situated on streets or close different retailers or strip malls. They are predominantly utilized for nourishment and non-sustenance retailing, or as comfort shops. For instance, stands, kirana stores in India.

   Advantages:

   - It requires very less possession cost.
   - It is far from competition.
   - It also incurs very less operation limitations.

   Disadvantages :

   - No pedestrians: As it is located solitary pedestrians cannot be attracted towards shop.
   - Low visibility: It is far from cities so low visibility.

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2. **Unplanned Shopping Areas :** These are retail stores that have advanced after some time and have numerous outlets in nearness. They are further separated as:

   - Central business locale, for example, conventional “downtown” territories in urban communities/towns.
   - Secondary business locale in bigger urban communities and primary road or high road areas.
   - Neighborhood locale.
   - Locations along a road or motorway (Strip areas).

   Advantages:

   - High passerby activity at business hours.
   - High occupant movement.
   - Convenient transport center.

   Disadvantages:

   - High security required.
   - Risk of shoplifting.

- Poor parking facilities.

3. **Planned Shopping Areas :** These are retail stores that are structurally adequate to suit a measure of outlets. These sites acknowledge expansive, key retail brand stores (also called "anchored stores") and a few small stores to include combination and drag clients' interest. There are different sorts of planned shopping centre's, for example, nearness or strip/ malls, shopping centers, lifestyle centers', specialty centers, outlet centers.

   Advantages:
   - High visibility.
   - High customer traffic.
   - Excellent parking facilities.

   Disadvantages:
   - High security required
   - High cost of possession.

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Check Your Progress

What is retail business operation?

5.3.3 Factors Determining Retail Locations

The retail company needs take into consideration the following issues while selecting a right location:

1. Size of Catchment Area: Primary (with 60 to 80% clients), Secondary (15 to 25% clients), and Tertiary (with residual clients who shop once in a while).
2. Occupancy Costs: Costs of lease/owning are distinctive in various territories, property charges, area support costs.
3. Customer Traffic: Number of clients going to the area, number of private vehicles going through the area, number of people on foot going by the area.
4. Restrictions Placed on Store Operations: Restrictions on working hours, commotion force amid media advancement occasions.

5. Location Convenience: Proximity to local locations, closeness to open transport office.

5.3.4 Steps to Choose the Right Retail Location

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A retail company needs to follow the given steps for choosing the right location:

***Step 1* - Look For :** Assess the market area in terms of industry, product, and competitors. How old is the organization in the following business? What numbers of practically identical businesses are there around there? What the new location is supposed to offer: new products or new market? How far is the competitor's retail unit from the organization's proposed area?

***Step 2* - Classification :** This step involves classification of information obtained .Comprehend the Demographics – Literacy of customers in the fast approaching zone, age groups, profession, wage groups, lifestyles, and religion indifferent classes.

***Step 3* - Selection :** Assess the Market Potential along with Density of masses in the arranged range, desire of contention impact, estimation of thing solicitation, Knowledge of laws and regulations in operations.

***Step 4* - Find Alternative options :** Find Alternative options if there some other potential location? What is its cost of occupancy? Which components can be compromised if there is a better location around?

***Step 5* – Settlement :** Settle the best and most sensible Location for the retail outlet.

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5.3.5 Measuring the Success of Location

Once the retail outlet is opened at the chosen area, it is vital to monitor how sensible was the decision of the area. To understand this, the retail organization does two types of area evaluations:

1. **Macro Location Evaluation :** It is directed at a national level when the organization needs to begin a retail business universally. Under this evaluation, the accompanying strides are done :
   - **Review :** Detailed outside review of the business sector by dissecting areas as large scale environment, for example, political, social, monetary, and specialized.
   - **Record** : Most essential components are recorded, for example, client's level of spending, level of rivalry, Personal Disposable Income (PDI), accessibility of areas, and so on.
   - **Select** : The same variables recorded above are considered for neighborhood locales inside the selected nations to locate a solid area.

2. **Micro Location Evaluation :** At this level of assessment, the area is evaluated against four elements to be specific :
   - Population: Desirable number of reasonable clients who will shop.
   - Infrastructure: The extent to which the store is available to the potential clients.
   - Store Outlet: Identifying the level of contending stores (those which the diminishing engaging quality of an area) and also correlative stores (which increment allure of an area).
   - Cost: Costs of improvement and operation. High startup and progressing costs influence the execution of retail business.

5.4 Merchandise Management

In the wild rivalry of retail, it is exceptionally critical to pull in new clients and to keep the current clients cheerful by offering them brilliant administration. Promoting helps in accomplishing much more than just deals can accomplish.

Promoting is basic for a retail business. The retail supervisors must utilize their aptitudes and instruments to streamline the marketing procedure as smooth as could be expected under the circumstances.

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5.4.1 Merchandising

Merchandising is the succession of different exercises performed by the retailer, for example, arranging, purchasing, and offering of items to the clients for their utilization. It is a vital piece of taking care of store operations and e-business of retailing.

Merchandising presents the items in retail environment to impact the customer's purchasing choice.

Types of Merchandise

There are two basic types of merchandise :

Staple Merchandise	Fashion Merchandise
It has predictable demand	It has unpredictable demand
History of past sales is available available	Limited past sales history is
It provides relatively accurate forecasts	It is difficult to forecast sales

5.4.2 Factors Influencing Merchandising

The following factors influence retail merchandising:

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1. **Size of the Retail Operations :** This incorporates issues, for example, how expansive is the retail business? What is the demographic extent of business: neighborhood, national, or global? What is the extent of operations: immediate, online with multilingual choice, TV, telephonic? How expansive is the storage room? What is the day by day number of clients the business is required to serve?

2. **Shopping Options :** Today's clients have different shopping stations, for example, in-store, by means of electronic media, for example, Internet, TV, or phone, index reference, to give some examples. Each choice requests distinctive arrangements of marketing assignments and specialists.

3. **Separation of Portfolios :** Depending upon the span of retail business, there are workforces for taking care of every phase of promoting from arranging, purchasing, and offering the item or administration. The little retailers may utilize several people to execute all obligations of promoting.

5.4.3 Functions of a Merchandising Manager

A Merchandising manager is generally responsible to following:

- Lead the promoting group.
- Ensure the promoting procedure is smooth and auspicious.
- Coordinate and speak with suppliers.
- Participate in planning, setting and meeting deals objectives.
- Train the representatives in the group.

5.4.4 Merchandise Planning

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Merchandising is a vital procedure so as to build benefits. This incorporates long term arranging of setting deals objectives, edge objectives, and stocks.

***Step 1* :** Define stock strategy. Get a 10,000 foot perspective of existing and potential clients, retail location picture, stock quality and client administration levels, showcasing approach, lastly sought deals and benefits.

Step 2 : Collect verifiable data. Assemble information about any convey forward stock, all out stock buys and deals figures.

Step 3 : Identify Components of Planning.

Clients : Loyal clients, their purchasing conduct and spending power.

Departments : What offices are there in the retail business, their sub-classes?

Vendors : Who conveyed the right item on time? Who gave rebates?

Merchant's general execution with the business.

Current Trends : Finding pattern data from sources including exchange productions, stock suppliers, rivalry, different stores situated in remote grounds, and from own experience.

Advertising : Pairing purchasing and publicizing exercises together, thought regarding last effective advancements, spending distribution for Ads.

***Step 4* :** Create a long haul arrangement. Investigate chronicled data, anticipate gauge of offers, and make a long haul arrangement, say for six months.

5.4.5 Merchandise Buying

This activity includes the following:

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Step 1 **Collect Information:** Gather data on customer request, current patterns, and market prerequisites. It can be gotten inside from workers, criticism/protest boxes, request slips, or remotely by sellers, suppliers, contenders, or by means of the Internet.

Step 2 **Determine Merchandise Sources:** Know who all can fulfill the interest: merchants, suppliers, and makers. Look at them on the premise of costs, convenience, ensure/guarantee offerings, installment terms, and execution and selecting the best doable resource(s).

Step 3 **Evaluate the Merchandise Items:** By experiencing test items, or the complete parcel of items, survey the items for quality.

Step 4 **Negotiate the Prices :** Realize a decent arrangement of procurement by arranging costs for mass buy.

Step 5 **Finalize the Purchase:** Finalizing the item costs and purchasing the stock by executing purchasing exchange.

Step 6 **Handle and Store the Merchandise :** Deciding on how the seller will convey the items, looking at item pressing, securing the item, and stocking a piece of items in the storage facility.

Step 7 **Record the Buying Figures:** Recording subtle elements of exchanges, number of unit bits of items as indicated by item classifications and sub-classes, and individual unit costs in the stock administration arrangement of the retail business.

Vendor Relations

Welcoming association with the merchant can be an awesome resource for the business. A solid compatibility with merchants can prompt:

- Purchasing items when required and paying the seller for it later as indicated by credit terms.
- Getting the most recent new items in the business sector at markdown costs or before different retailers can offer them.
- Having an incredible administration of conveyance, convenience of conveyance, returning broken items with trade, and so forth.

5.4.6 Merchandise Performance

The following methods are commonly practiced to analyze merchandise performance:

ABC Analysis : It is a procedure of stock arrangement in which the aggregate stock is ordered into three classifications:

A - Extremely Important Items: Very significant stock control on request planning, security, brief investigation, utilization design, stock equalization, refill requests.

B - Moderately Important Items: Average consideration is paid to them.

C - Less vital Items: Inventory control is totally stretch free.

This methodology of isolation offers significance to everything in the stock. For instance, the telescope retailing organization may have little piece of the overall industry yet every telescope is a costly thing in its stock. Along these lines, an organization can choose its venture approach specifically things.

1. **Sell-Through Analysis :** In this technique, the real deals and gauge deals are contrasted and the distinction is examined with figure out if to apply markdown or to put a crisp solicitation for extra stock to fulfill current interest.

   This technique is exceptionally useful in assessing design stock execution.

2. **Multi-Attribute Method :** This technique depends on the idea that the clients consider a retailer or an item as an arrangement of components and characteristics. It is utilized to dissect different options accessible as to merchants and select the best one, which fulfills the store prerequisites.

5.5 Retail Business Operations

The retail business operations incorporate every one of the exercises that the businesses perform to keep the store working easily. The shopping background of a client is arranged before the client enters, shops, and leaves the store with a grin or with distress via conveying an observation about the store. This experience drives the client's choice of going to the store in future.

Let us see, what endeavors retail business operations officials put into make the shopping background critical for the client.

5.5.1 Store Management

The retail location being the basic wellspring of income and the spot of client association is fundamental to the retailer.

The store supervisor may not himself perform, but rather is in charge of the accompanying obligations:

- Maintaining cleanliness in the store.
- Ensuring sufficient supply of stock in the store.
- Appropriate arranging, planning, and association of staff, stock and costs, for short and long term achievement.
- Monitoring the calamity and taking preventive measures to secure the organization's advantages and items in the store.
- Upgrading store to reflect high beneficial picture.
- Communicating with head office/local office when required.
- Conducting productive gatherings with staff to help their confidence and spur the staff to accomplish deals objectives.
- Communicating with clients to recognize their necessities, grievances, and grumblings.
- Ensuring that the store is in consistence with occupation laws in regards to pay, work hours, and equivalent business open doors.
- Writing execution evaluations for helping staff.

The store director guarantees that these obligations are performed by rules set by the organization.

5.5.2 Premises Management

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The store premises are as very important as the retail location itself. Managing premises include the additional tasks:

Deciding working hours of store: It significantly relies on the intended interest group, retailed items, and store area. For instance, a supermarket close local location ought to open sooner than a design store. Additionally, a single store can be open the length of the proprietor needs to yet a store in a shopping center needs to hold fast to working hours set by the shopping center administration.

Overseeing Store Security: It helps keeping away from stock shrinkage. It relies on the measure of store, the item, and the area of store. A few retailers append electronic labels on items, which are detected at store passage and ways out by sensors for robbery location. A few stores introduce camcorders to screen development and some give separate passage and way out to work force with the goal that they can be checked.

For instance, a substantial departmental store needs high security than the market situated close neighborhood.

Here are some basic formulae used while managing premises:

Transaction per Hour = No. of Transactions/Number of Hours

The retailer keeps track of the number of transactions per hour, which helps in determining store hours and staff scheduling.

Sales per Transaction = Net Sales/Number of Transactions

The result gives the value of the average sales and net return, which is used to study sales trends over time.

Hourly Customer Traffic = Customer Traffic In/Number of Hours

This measure is utilized to track absolute number of client movement per unit time. It is then connected to calendar hours and decides staff quality.

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5.5.3 Inventory Management

Stock director, classification supervisor, and other staff handle the stock. It incorporates the following assignments:

- Receiving items from the merchant.
- Recording internal passage of the items.
- Checking the items against quality standards laid by the retail organization and for subtle elements, for example, hues, sizes, and styles. In the event of substantial stores, this errand is mechanized to an expansive degree.
- Separating and reporting the broken or harmed items for returning.
- Displaying the items properly to pick up clients' consideration. Overwhelming items are kept at the lower level. Most got to items are kept at the eye-level and the less got to items are kept at abnormal state of racks. On-the-fly-acquired items, for example, chocolates, confections, and so on are put close installment counters.

Here are a few formulae utilized for stock control:

Inventory Turnover Rate = Net Sales/Average Retail Value of Inventory

It is expressed in number of times and indicates how often the inventory is sold and replaced during a given period of time.

Cost of Goods Sold/Average Value of Inventory at Cost

When either of these ratio declines, there is a possibility that inventory is excessive.

% Inventory Carrying Cost = (Inventory Carrying Cost/Net Sales) * 100

This measure has gained importance due to rise in inventory carrying cost because of high interest rates. This prevents blockage of working capital.

Gross Margin Return on Inventory (GMROI) = Gross Margin/Average Value of Inventory

The GMROI compares the margin on sales on the original cost value of merchandise to yield a return on merchandise investment.

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5.5.4 Receipt Management

Overseeing receipt is only deciding the way in which the retailer is going to get the installment for the sold items. The essential methods of receipt are:

- Cash
- Credit card
- Debit card
- Gift card

Extensive stores have the office of paying by the modes recorded above however little retailers by and large favor tolerating money. The retailer pays card charges relying on the volume of exchanges with the suppliers, makers, or makers.

The staff in charge of tolerating installment needs to unmistakably comprehend the methodology for tolerating installment via cards and gathering the sum from the bank.

5.5.5 Supply Chain Management and Logistics

Supply Chain Management (SCM) is the administration of materials, data, and accounts while they move from producer to wholesaler to retailer to purchaser. It includes the exercises of planning and coordinating these streams inside and out of a retail business.

Most supply chains work in joint effort if the suppliers and retail organizations are managing each other for quite a while. Retailers rely on inventory network individuals as it were. In the event that the retailers build up a solid organization with inventory network individuals, it can be valuable for suppliers to make consistent systems, which are hard to represent.

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5.5.6 Customer Service

The top administration of a retail business chooses the client administration strategy. The whole retail location staff is prepared for client administration. Every business in the retail location guarantees that the administration begins with smile and the interfacing client is agreeable and has a wonderful shopping background. The quickness and amenability of the retail location staff, their insight about the item and dialect, capacity to beat difficulties, and speed at the charging counter; everything is noted by the client. These angles make a lot of client's recognition about the store. Numerous retail locations train staff individuals to handle the money counter. They have likewise presented an idea of express charging where clients purchasing less than 10 items can charge quicker without standing in the normal installment line.

During festivals and markdown periods, the trend of shopping increases.

Customer Conversion Ratio = (Number of Transactions/ Customer Traffic) * 100

The outcome is the retailer's capacity to transform a potential client into a purchaser. It is additionally called "stroll to purchase proportion". Low results imply that limited time exercises are not being changed over into deals and the general deals endeavors should be surveyed once more.

5.6 Retail Space Management

Space administration is one of the urgent difficulties confronted by today's retail chiefs. An all around sorted out shopping place builds efficiency of stock, improves clients' shopping background, diminishes working expenses, and increments monetary execution of the retail location. It additionally lifts the odds of client devotion. Give us a chance to see, how space administration is essential and how retailers oversee it.

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5.6.1 Space Management

It is the way toward dealing with the floor space sufficiently to encourage the clients and to expand the deal.

Since store space is a constrained asset, it should be utilized shrewdly.

Space administration is exceptionally critical in retail as the business volume and gross productivity relies on upon the measure of space used to create those deals.

5.6.2 Optimum Space Use

While assigning the space to different items, the supervisors need to consider the accompanying focuses:

- **Product Category:**
  - ✓ Profit manufacturers: High overall revenues low deals items. Designate quality space instead of amount.
  - ✓ Star entertainers: Products surpassing deals and net revenues. Assign extensive measure of value space.
  - ✓ Space wasters: Low deals low net revenues items. Put them at the top or base of racks.
  - ✓ Traffic manufacturers: High deals low overall revenues items. These items should be shown near drive items.
- Size, shape, and weight of the item.
- Product adjacencies – It implies which items can exist together in plain view?
- Product life on the rack.

5.6.3 Retail Floor Space

Here are the steps to take into consideration for using floor space effectively:

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- Measure the aggregate territory of space accessible.
- Divide this territory into offering and non-offering ranges, for example, walkway, stockpiling, special presentations, client bolster cell, (trial rooms if there should be an occurrence of attire retail) and charging counters.
- Create a Planogram; a pictorial outline that portrays how and where to place particular retail items on racks or shows keeping in mind the end goal to build client buys.
- Allocate the offering space to every item classification. Decide the measure of space for a specific class by considering recorded and anticipated deals information. Decide the space for charging counter by alluding recorded client volume information. If there should be an occurrence of apparel retail, dispense a different space for trial rooms that is close to the item show however far from the charging region.
- Determine the area of the item classes inside the space. This helps the clients to find the required item effectively.
- Decide item adjacencies coherently. This encourages different item buy. For instance, pasta sauces and flavors are kept close crude pasta parcels.
- Make utilization of unpredictable formed corner space carefully. A few items, for example, residential cleaning gadgets or greenhouse furniture can remain in a corner.
- Allocate space for limited time shows and plans confronting towards street to inform and draw in the clients. Use glass dividers or entryways shrewdly for advancement.

5.6.4 Store Layout and Design

Client purchasing conduct is an essential purpose of thought while planning store format. The destinations of store format and plan are:

- It ought to draw in clients.

- It ought to help the clients to find the items easily.
- It ought to help the clients invest longer energy in the store.
- It ought to inspire clients to make spontaneous, hasty buys.
- It ought to impact the clients' purchasing conduct.

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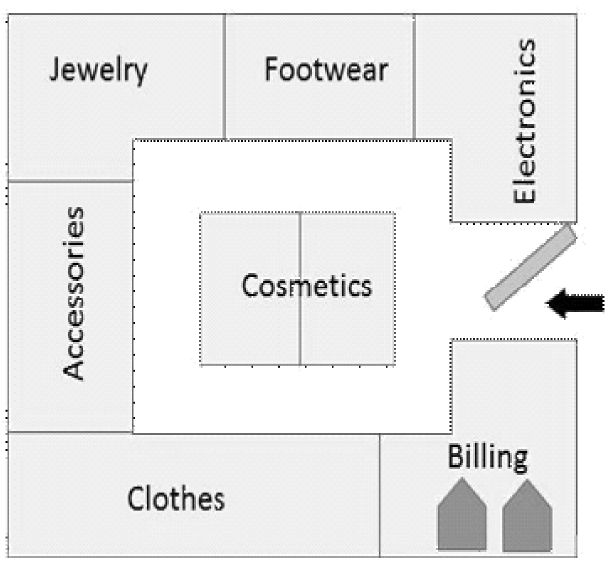
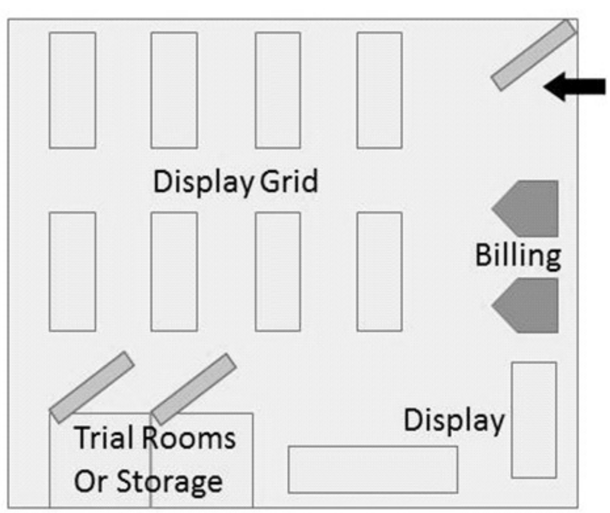
Store Layout Formats

The retail location formats are outlined in approach to utilize the space effectively. There are extensively three mainstream formats for retail locations:

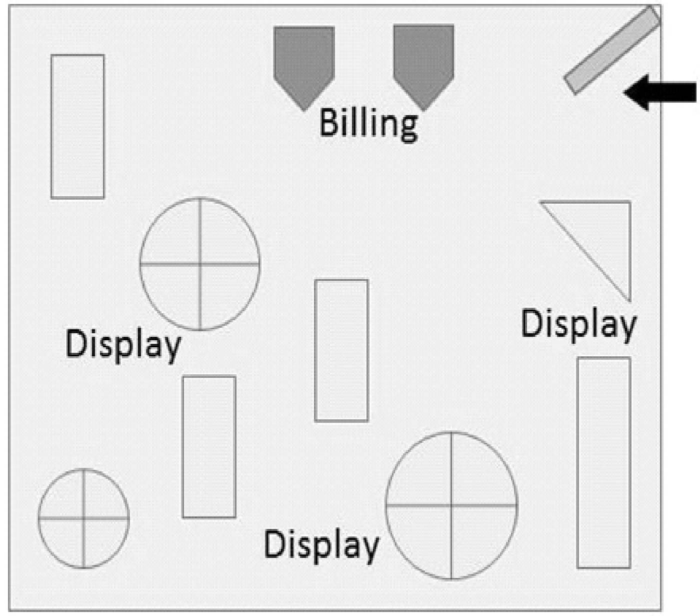
1. **Grid Layout :** Mainly used in grocery stores.



2. **Loop Layout:** Used in shopping centers and departmental stores.



3. **Free Layout:** Followed mainly in luxury retail or fashion stores.



5.6.5 Store Design

Both inner and outside variables matter with regards to store outline.

1. **Interior Design :** The store inside is the territory where clients really search for items and make buys. It specifically adds to impact client basic leadership. In incorporates the accompanying:
   - Clear and satisfactory strolling space, separate from item show range.
   - Free standing showcases: Fixtures, rotational presentations, or mannequins introduced to draw in clients' consideration and convey them to the store.
   - End tops: These showcases toward the end of the passageways can be utilized to show limited time offers.
   - Windows and entryways can give visual messages about stock on special.

2. **Exterior Design :** This territory outside the store is as speaks with the client on incorporates: much imperative as the inside of

the store. It who the retailer is and what it remains for. The exterior includes:

- Name of the store, which tells the world that it exists. It can be a plain painted board or as extravagant as a stylishly outlined computerized leading body of the outlet.
- The store passageway: Standard or programmed, glass, wood, or metal, width of the passage.
- The cleanliness of the range around the store.
- The feel used to draw the clients inside the store.

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5.7 Summary

Retailing is sale of product and services to the end consumer for private and domestic use. The pivotal element in this unit is evolving retail strategy and how it should be used to achieve competitive advantage over its competitor retail shops. Retailers may be classified by form of ownership and key marketing strategies. Also, types of retailers distinguished according to product variety, price and customer service levels. Franchising in particular is growing considerably. Each type has advantages as well as drawbacks. The Indian retail sector is mostly long-established but stores in modern layout are rising. Though the part of organized retailing in the retail sales in India has been little in the last decade, but currently it is speeding up very fast and expanding their operations not only in metros but in other cities. Recent management techniques are used in managing the associations of retail sector. Firms will need to actively assess their sales structures, brand activates, logistics policy and price structure to cope with pressures from powerful retailers. Information communication technology now helps retailers and suppliers to share information and change shared business practices in ways that would have been idealistic in the recent past. The success of any retail operation is basically depending on the retailer's ability to supply the right commodities to the consumer, at the right place and at the right time. It is for this reason that the role of merchandising plays a key function in retail.

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5.8 Key Terms

Space Management **:** It is the way toward dealing with the floor space sufficiently to encourage the clients and to expand the deal.

Store Design **:** Both inner and outside variables matter with regards to store outline.

Retail floor space **:** Division of space into offering and non-offering ranges, for example, walkway, stockpiling, special presentations, client bolster cell, (trial rooms if there should be an occurrence of attire retail) and charging counters

Supply chain management (SCM) **:** It covers the whole gamut of activities from a vendor's vendor to the manufacturer till the end customer.

Organized retail **:** Refers to the organizations indulging in retailing as their business

5.9 Questions and Exercises

1. What is retail market segmentation, Explain in your words?
2. How many types of retail markets are there?
3. Enlist various growth strategies and explain in short?
4. Describe about retail business location and its importance?
5. What are the steps involved in selection of optimum retail location?
7. Explain various types of business locations and factors determining retail location?
8. What is merchandising management and explain functions of merchandising manager?
9. Explain the concepts
    a) Merchandise planning
    b) Merchandise Buying
    c) Merchandise Performance
10. What is retail business operation? Elaborate?

11. Differentiate between store management and premises management?

12. What is retail space management?

5.10 Further Reading and References

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UNIT6: RETAIL BRANDING AND POSITIONING

6.0 Unit Objectives

Afetr reading this unit, you should be able to explain the concept of retail branding and the advantages of establishing and strengthening the retail brand. The brand architecture of retailers, approaches to measuring brand equity, the concept of brand positioning and principles of successful retail brand management are discussed.

6.1 Introduction

Even though retailing has long had the opportunity to be marketing oriented because retailers are in closer contact with customers than manufacturers, mass retailing has been slow to take advantage of this aspect. Higher priority has been placed on buying decisions, operational concerns and short-term objectives than on strategic marketing concepts

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(Mulhern 1997). A lack of a well-defined differentiation from competitors has been a frequently criticized consequence in many retail sectors.

However, this has changed. Mainly as a result of changing industry conditions and increasing management capability in retail companies, a change of attitude towards strategic marketing can be observed. Within the context of strategic marketing, the relevance of establishing a clear-cut and differentiated profile is clearly recognized by retailers, and retail brands are systematically being established and managed (Morschett 2006).

6.2 Retailers as Brands

While in the past, the term brand has been applied mainly to manufacturer brands (such as Coca-Cola, Nokia or Gillette), the brand concept can be applied to all kind of products and services, including retailers (Keller 2003).

Some authors define a brand as a name or formal sign. According to the American Marketing Association, a brand is a "name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers" (www.ama.org). However, separating the brand name from the product or service alters the nature of the brand. If one were to take the IKEA logo and link it to a grocery supermarket, it may keep part of its brand strength, but the character of the brand would change with the under lying product. Other definitions therefore encompass the brand name (or brand logo, brand sign) and the branded product to define a brand: "A brand is therefore a product, but one that adds other dimensions that differentiate it in some way from other products designed to satisfy the same need" (Keller 2003).

Retail branding is a strategy based on the brand concept and which transfers it to a retail company. A retailer's "products" are his stores that can be marketed in a similar way to a branded good. A retail brand is then a group of the retailer's outlets which carry a unique name, symbol, logo or combination thereof. While all retailers constitute brands to some extent, some retail brands are strong, while many are not. Recognition and appreciation by consumers are the essential elements of a strong retail brand (Morschett 2002). Retail branding can be understood as a comprehensive and integrated marketing management concept, focusing on building long-term customer loyalty and customer preference.

The term retail brand has to be distinguished from the term store brand (see Chapter 8). While retail brand refers to stores (e.g. B&Q, Lidl, FNAC), the term store brand refers to the product level and is used synonymously with private label. Often, the retail brand is also used to label the store brands, though this is not a universal characteristic (Wileman/Jary 1997).

Retail brands are characterized by enormous complexity, which results from the service attributes of retailers as well as from the multiplicity of brand attributes and consumer retailer interactions. While manufacturers frequently offer only a few products under one brand and the industrial production process is completed through quality control, customer experience with the retail brand is often shaped by several hundred outlets, with different locations and store designs, thousands of products, and dozens of employees in each store, who are also influenced by their moods and emotions. A uniform, consistent, and standardized performance and brand message is therefore difficult to convey (Wileman/Jary 1997, pp. 40,42).

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Check Your Progress

Define the concept of branding in retail?

6.3 Advantages of a Retail Brand

Establishing a strong brand can be the key to long-term performance (Aaker 1996, p. vii) by providing the retailer with considerable advantages (Keller 2003, Morschett 2002,Bruhn 2005).

An existing retail brand strengthens brand awareness and differentiation from the competition, because it can serve as an anchor for associations with the brand. An established brand enhances the effect of marketing measures. In an age of increasing consumer information overload, established and well-known brands receive more attention than unknown

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brands. For example, advertising for strong retail brands is more likely to be perceived and recognized by the consumer, resulting in a higher efficiency of marketing budgets.

From the consumer perspective, strong retail brands simplify the purchasing process because there is already some knowledge about the retailer and buyers do not have to search for additional information about assortments, prices, service, etc. Strong retail brands also reduce perceived purchasing risk. Buying well-known product brands as well as from well-known and trusted retail brands are purchasing strategies which aim at risk reduction. Consequently, strong retail brands may lower the price sensitivity of consumers. A well-defined brand profile can establish a preference position that allows a retailer to minimize price competition.

Strong brands exert halo-effects. A positive general attitude towards the brand in total positively influences the perception of all specific brand attributes. Considering the impact of these evaluations on the general attitude, a virtuous cycle can develop.

Strong brands not only represent functional benefits, they can also serve as symbolic devices. They represent different values, traits, and characteristics. Shopping at a certain retailer might, therefore, allow consumers to project a certain self-image to themselves and others.

If a retail company operates in different market segments, differentiated marketing with different retail brands facilitates approaching each market segment with a targeted approach. Cannibalization is easier to avoid and each retail brand can develop its own image – without contradictory image transfers. Conversely, a strong brand can be used as a platform for expansion. This already occurs when retailers open new outlets, which, from the very start, are loaded with a certain image. Franchising concepts, in which the retail brand is transferred to independent shop owners, clearly illustrate this advantage. A strong retail brand can also facilitate diversification into new product ranges. This type of brand extension occurs when retailers use their image in one merchandise category to expand into additional categories.

These advantages are enjoyed especially by strong retail brands. However, the measurement of brand equity is not easy and there is no generally agreed upon concept. Nonetheless, measurement approaches can generally be classified into two streams, which also differ in their definition of brand equity (Lassar/Mittal/Sharma 1995)

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- Financially oriented, monetary approaches
- Consumer oriented approaches.

The following definition is typical of the monetary approach: "Brand equity can be thought of as the additional cash flow achieved by associating a brand with the underlying product or service" (Biel 1992). For example, using a complex formula to forecast future revenues for the brand and capitalizing them into a present value, the consulting company Inter brand estimates that the world's most valuable brand is Coca Cola with a brand equity of about 67 billion USD. The most valuable global retail brands in the Interbred ranking are Dell (13.2 billion USD), The Gap (8.2 billion USD), IKEA (7.8 billion USD) and Zara (3.7 billion USD) (Business Week, 1.8.2005, www.interbrand.com).

While in some situations, deriving a monetary brand value is important (e.g. for the purpose of selling or licensing the brand), the equity is the result of a long-term investment in the brand. For brand management, consumer oriented brand equity concepts might be more appropriate and sensitive to changes. Here, Keller (1993) provides a typical definition: A brand is said to have positive customer based brand equity when consumers react more favorably to an element of the marketing mix for the brand than they do to the same marketing mix element when it is attributed to a fictitiously named or unnamed version of the product or service. This type of brand equity or brand strength is developed in the mind of the consumer and the consumer's attitude towards the brand, his associations and experiences with the brand, his evaluation of the brand quality are the most important aspects of measuring brand equity.

Different researchers propose different indicators for measuring consumer oriented brand strength, which can, aggregated or individually, be considered when managing the brand and when evaluating the success of certain marketing measures (e.g. Aaker 1996, Lassar/Mittal/Sharma 1995; Zentes/Morschett 2002). Indicators of consumer oriented retail brand equity are, for instance:

- Brand awareness
- Trustworthiness of the brand
- Customer satisfaction with the brand/customer loyalty to the brand
- Brand liking
- Brand differentiation.

Some other indicators suggested in literature for brand equity are not generally appropriate for retail brands. Price premiums, for instance, are sometimes used for evaluating brand value. Many successful retailers, however, emphasize their low prices, and trade off potential price premiums for higher sales volumes or higher sales productivity.

6.4 Brand Architecture

As defined above, a retail brand refers to the level of the store. However, the brand system of a retailer is more complex. Brand architecture refers to the internal structuring of the retailer's brands and revolves around how many and what kinds of offers are provided under a certain brand (Aila,wadi/Keller 2004). Within the brand hierarchy, a retailer's brands can be divided into different levels (Keller 2003). Retailers have brand names at the level of the retail company as a whole ("corporate brand"), the retail stores, the merchandise (e.g. the store brands), and specific retail services (i.e. banking services or loyalty programmes). Besides the individual branding decision at each level, the interconnection between the levels has to be considered.

As in industrial multiproduct companies, retailers with more than one store have to decide whether the stores should carry the same or different brands.

Three general branding strategies can be distinguished at the level of the retail brand (see Table below for examples):

- An umbrella brand strategy, where all the stores of the company carry the same brand, in most cases differentiated by a sub-brand
- A family brand strategy, in which groups of stores of the retail company (usually different retail formats) carry different brands, i.e. the brands are strictly separated
- A mixed strategy, which applies an umbrella brand for some store formats and separates others by using different brand names.

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Table : Branding Strategies at Different Retail Companies

Brand Strategy	Retail Company	Selected Retail Brands of Retail Company
Umbrella Brand	Tesco	Tesco Extra, Tesco (Superstores), Tesco Express, Tesco Extra
	Edeka	Edekaaktivmarkt, Edekaneukauf, Edeka center
Mixed Strategy	System U	Marché U, Super U, Hyper U
	Coop (CH)	Coop, Coop Pronto, Coop bau + hobby, Coop City, Coop@home, Interdiscount, TopTip, Impo, Christ
Family Brand	Migros (CH)	Metro Cash&Carry, Real, Media-Markt, Saturn, Kaufhof
	Metro	Metro Cash&Carry, Real, Media-Markt, Saturn, Kaufhof
	DSG international	Currys, Dixon, Dixon.co.uk, PC City, Electro World, Elkjøp

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The main decision in this context is brand image transfer vs. brand image separation. Using an umbrella brand strategy, the common brand name leads to a substantial image transfer. Consumers transfer the associations they carry for Tesco Superstores at least partly to Tesco Express stores. All stores are part of one large brand and have to convey the same message to the consumer, if the brand image is to remain strong. A family brand strategy, on the other hand, is usually the result of market segmentation and an unambiguous brand focus with different brand attributes for each store format. Carrefour hypermarkets, for example, target a different market segment than Carrefour's discount chain Dia. An image transfer would, therefore, probably not benefit either of the stores.

6.5 Retail Brand Positioning

Strategic brand management starts with a clear understanding of what the brand is to represent and how it should be positioned relative to competitors (Keller 2003,Wortzel 1987). Positioning is the deliberate and proactive process of defining and influencing consumer perceptions of a marketable object, with a strong focus on the competitive position. A product is thus positioned in the minds of the consumers (Arnott 1993).Positioning usually applies certain fixed dimensions along which the retail brand defines its position relative to its competitors.

Market segmentation is often considered necessary for successful brand positioning. Market segmentation refers to the process of dividing a (heterogeneous) total market by certain attributes into (more homogeneous) partial markets. Segmentation criteria can be demographic, socioeconomic, lifestyle, geographic location and many others. Segmentation therefore includes the selection of one or several market segments and targeting the marketing towards the purchasing behavior, motives, or expectations of these groups. However, segmentation is often considered difficult for retailers with given catchment areas and the need for high customer traffic in their stores which require appealing to broad customer groups (Wileman/Jary 1997).

Positioning is often based on the two generic competitive strategies of Porter (1980): cost/price leadership vs. differentiation. While this broad classification can also be applied to retailing, researchers propose other frameworks, because retailing reality shows that there are many options for differentiation. The following are among the positioning dimensions most frequently proposed.

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- Quality Of Merchandise
- Variety Of Merchandise
- Convenience
- Price
- Customer Service
- Location
- Store Atmosphere.

Successful positioning can be based on any retail activities and a unique profile along the various dimensions yields a clear position that is the prerequisite of a strong brand. At the same time, the advertising spending of retailers has increased strongly over the last few decades and – as an indicator of the increasing relevance of retail branding – in many countries, retail stores are among the most heavily advertised "products" in terms of media spending.

6.6 Retail Brand Image

Retail brand positioning is based on a set of fixed dimensions along which a retailer is perceived to be located. However, the retail brand is broader than the actual positioning. The total brand knowledge which a consumer associates with a brand is relevant to the brand strength. The associative network model views memory as consisting of a network of nodes, representing stored information, and connecting links. Any type of information connected to the brand is stored in the memory network,

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including verbal, visual, abstract, and acoustic information. Retail brand image can be defined as perceptions about a retailer as reflected by the brand associations stored in consumer memory. The strength of the brand can be evaluated by analyzing the various relevant associations. Their uniqueness, favorability, strength, and the certainty with which consumers link the information with the brand, are the dimensions to consider (Krishnan 1996; Keller 1993). The retail brand image is complex and it is connected to an array of other images, both at a higher level as well as in the form of sub images. The retail store format image (i.e. category killer image), shopping centre image, location image, price image, merchandise image and other components of the store or its context are all connected to the retail brand image and are part of the memory network of the consumer.

6.7 Principles of Successful Retail Branding

All retail marketing instruments affect the retail brand, as illustrated by the notion of the comprehensive retail brand image, which is made up of a universe of interconnected associations. To develop a strong and successful brand, three basic principles are mentioned in literature.

- Differentiation from competitors
- Long term marketing continuity
- Coherence of different marketing components.

Check Your Progress

What is positioning in retail sector?

Achieving differentiation (in consumers' minds) is a central characteristic of a brand (Aaker 1996), as has already been pointed out in the discussion on positioning. Higher levels of differentiation from the competitor are expected to lead to higher profitability. Only brands that are well distinguished from their competitors can build up long-term customer loyalty and avoid store switching by the consumers.

Establishing a clear brand image is a long-term process. Brands are established through consumer learning processes. Consumers store associations in their memory. Brand associations become stronger over time and must be reinforced by repeated exposure to the same brand messages, because they might otherwise fade away. The past investment in the brand building is at least partly lost if the brand marketing is changed. Thus, continuity is important. Also, risk reduction is one of a brand's main functions. Consumers trusta brand, because it entails a standardized and uniform offer under a certain brand name. Some of the world's most successful brands demonstrate that retaining the same brand message and communication (with slight variations) for years and even decades is one of the key prerequisites of successful branding.

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The retail marketing mix includes all marketing instruments that a retailer can deploy. The term mix indicates that the instruments are not used in isolation, but that they jointly influence the consumer. In order to be successful, all marketing measures must be coordinated to ensure a close fit with one and other and that all measures convey the same brand message. Because inconsistency makes a brand image fragile and consumers strive for internal harmony or congruity in their knowledge and information ("theory of cognitive dissonance"), creating coherence between all the different facets of the retail brand is crucial for success. Considering the complexity of the retail environment, ensuring a fit among the marketing instruments and all brand contact points is challenging.

Sephora, The Body Shop, Boots, Zara and others are examples of successful brands that succeed in projecting a uniform image with their store atmosphere, merchandise, pricing, communication, and service.

6.8 Summary

Some of the most successful retailers in the world have developed into strong brands without having consciously managed their brands. While this is true, it is important to note that many successful retailers have developed strong brands by – even if unconsciously, adopting the above mentioned principles of branding. From the very beginning, Aldi, IKEA, Tesco, Walmart, Lidl, and others have had a clear and distinct profile. They pursued their own marketing approach over several decades and,

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supported by a strong corporate culture, have been very coherent in all their activities. Differentiation, continuity and coherence in these cases were often ensured by the founder(s), who, over the years, developed a clear understanding of what their company should stand for – and followed that through rigorously.

Brand management gains additional relevance through the internationalization of retailers (e.g., should retailers use the same name in all countries?), with the ongoing wave of mergers & acquisitions in retailing (e.g., should an acquired retailer keep his retail brand or be adapted to the acquirer's brand?) and with multichannel retailing. Especially in the case of store retailers expanding their business to the Internet, the strategic decision on using the same retail brand across channels or separating the Internet shop from the store outlets, is crucial and far reaching.

In recent years, competition and changing consumer behavior have increased the relevance of retail branding tremendously. Such branding aims at enhancing differentiation and customer loyalty. Retail brand management includes all components of the retail marketing mix and develops a strategic understanding of the intended positioning of the retail company. Developing a retail branding strategy helps to ensure the coherence of all marketing messages and market appearances of the company. Successful companies change over time, but considering the prerequisites of successful branding, the brand core should remain stable.

6.9 Key Terms

Positioning **:** Positioning refers to the place that a brand occupies in the mind of the customer and how it is distinguished from products from competitors.

Brand Image **:** The general impression of a product held by real or potential consumers.

Branding **:** The marketing practice of creating a name, symbol or design that identifies and differentiates a product from other products.

6.10 Questions and Exercises

1. Define the concept of branding in retail?
2. What do you mean by brand architecture?
3. What is positioning in retail sector?
4. Discuss the branding strategies with example.

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6.11 Further Reading and References

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UNIT 7 : CUSTOMER RELATIONSHIP MANAGEMENT

7.0 Unit Objectives

Building enduring relationships with customers has become a prime strategic objective of retail marketing. The purpose of this unit is to explain the new paradigm of relationship marketing and to introduce the underlying principles of customer value, the relationship lifecycle and the constructs of customer loyalty and customer satisfaction. In retailing, loyalty programmes are manifestations of customer relationship management.

7.1 Introduction

Traditionally marketing has focused on attracting new customers for a company. Today, however, companies recognize the importance of retaining current customers by forming relationships with theme This focus on relationships builds on the premise that it is less expensive to market to existing customers than to acquire new ones.

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7.2 Relationship Marketing as New Paradigm

Relationship marketing, a term usually used synonymously with customer relationship management (CRM), involves establishing main training and enhancing long-term relationships with customers.

With this perspective the manager's primary task is to identify profitable and non-profitable customers focus efforts on the former and balance the cost of acquiring and retaining customers with current and potential revenue from those customers. In retailing advances in IT and the spread of loyalty cards have provided a means for retailers to identify a particular customer and to collect customer specific data, thus enabling individualized marketing. Compared to other industries, retailing has tremendous advantages in CRM, and since it is indirect contact with the consumer. Even though the methods proposed for CRM are very heterogeneous some common and underlying principles have emerged.

- Customer Information: Companies must gather reliable and detailed information on their existing and potential customers usually stored in an IT based customer database.
- Individualization / segmentation: a strong customer orientation leads to a targeted approach to individual customers or customer segments instead of a standardized mass market approach to retail marketing.
- Profit orientation: not all customers are treated equally. Rather they are classified and prioritized in terms of their profit potential for the company. Investment in customers is undertaken on the basis of their profitability.

- Customer interaction and integration: instead of one directional communication (such as traditional advertising), the aim is to achieve a two directional interaction with the customer including a stronger integration in the value added process.

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7.3 Customer Lifetime Value and Relationship Lifecycle

In the context of long-term customer relationships loyal customers can be seen as an enduring asset for the retailer Customers spend money on certain product categories not just once, but generally regularly (weekly, monthly, yearly) for the rest of their lives. Since the purchasing relationship might extend over many years the future revenue stream should be discounted to arrive at the net present value of future cash flow. If a single customer spends 400 rupees on clothing each 6 months the net present value accrues to about 15,000 Rupees between the ages of 15 and 75 (at a discount rate of 5%).

Customer lifetime value (CLV), the quantified value of a customer, has become a prominent concept with the rise of CRM.CLV is the difference between what it costs to acquire service and retain a customer and the revenue generated by that customer over the total duration of the relationship with him.

CLV can be used to develop a profile of high value customers, which can then be applied to focus customer acquisition efforts on similar consumers' CLV can also be employed to categories the existing customer base into high medium and low value customers which allows a differentiation of product offers and services according to expected customer value and also provides an objective basis for directing retention efforts toward higher value customers' If for example handling a customer complaint costs 500 Rupees and the lifetime revenue value of this customer is 5,000 Rupees it may be worth investing the money while for a customer with a value of 300 Rupees, to might notable.

Check Your Progress

Discuss the significance of customer relationship management in retail business?

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The monetary value of customer loyalty originates from different components' Higher commitment to a company often leads to enhanced purchasing frequency, larger shopping baskets lower customer price sensitivity and a stronger resistance to counter offers from competitors. Loyal customers search less for competing product and service offers'. Lower marketing costs are also assumed since targeted marketing is possible and the company acquires substantial knowledge about the consumer making marketing more efficient Cross-selling where the customer buys additional products from the company and up-selling where the company manages to sell higher value products to the customer are usually also achieved. Accordingly the marketing focus is shifted from market share in specific product categories to increased share of wallet for a particular customer.

In addition non monetary benefits also accrue more loyal customers are expected to recommend the retailer to friends and relatives and this word of mouth constitutes effective and efficient marketing communications. Loyal customers also have an information value for the company, since they more often complain when the performance of a company deteriorates. They communicate with the retailer thereby contributing to maintaining and enhancing the overall quality of the company.

Pursuing the notion that customers are potential sources of profit over their entire life time the relationship between customer and retailer can also be regarded as a lifecycle's. The relationship therefore has a clear beginning a growth stage and a maturity stage after which a decline and a potential termination could occur. The customer relationship lifecycle describes regularly observed patterns in the longitudinal development of customer relationships with companies. However the model is not deterministic, i.e. not all stages have to occur in the duration of stages differ and a retailer can influence the shape of the curve by for example effective counter measures in the endangerment stage.

7.4 Customer Loyalty and Customer Satisfaction

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While loyalty has become more important as a marketing objective with CRM, there is no universally agreed definition of loyalty. Two basic approaches to conventionalize loyalty can be identified.

- Often loyalty is defined with reference to a pattern of purchases' Behavioral loyalty is measured in terms of repeat patronage percentage of budget allocation in a category to a store amount of switching or purchase likelihood.
- Many researchers argue that there must be strong commitment to a company for true loyalty to exist. Commitment refers to an emotional or psychological attachment to a company's. Thruster which entails the confidence in the retailer's reliability and integrity is often seen as closely connected to it. This attitudinal loyalty can be measured by asking consumers if they like and trust the store whether they feel committed to it, and whether they would recommend it to others.

Both dimensions are important for true loyalty. Spurious loyalty refers to a situation where repeat patronage is observed but is not based on a strong positive attitude towards the retailer's. For example a lack of alternatives in the area can result in store patronage without having anything to do with positive attitudes'. Habitual purchasing behavior might have the same effect.

Therefore behavioral loyalty merely reflects situational influences but it is permanently at risk if situational conditions change such as rivals entering the market.

7.5 Loyalty Marketing of Retailers

In retailing CRM is closely connected to the loyalty schemes that

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are usually based on loyalty cards. Many retailers now employ some form of loyalty scheme. Typically, loyalty programmes offer delayed, accumulated economic benefits to consumers on the basis of repeat purchases. Usually this takes the form of points that can be exchanged for gifts, or vouchers. The discount value of points generally ranges between 1 and 4 % of sales'. The option of giving discounts indifferent 'currencies' can also offer perceptual advantages e.g. for the retailer's price images. In so-called affinity programmes the focus is more on the emotional bond between customer and retailer's. With club memberships preferred service newsletters, Internet chat groups, telephone help lines and other measures, two way communication is established so that customers can interact with the company and get to know it better.

Most frequently the ability to accrue benefits in the form of discounts on purchases as well as the promotional offers connected to the loyalty programme, are the principal motivation for consumers for joining a loyalty scheme's. However emotional bonding and psychological relationship awards might also be important. Self-actualization is considered a basic human need and loyalty programmes can provide recognition to selected customers by giving the man evaluated status and the feeling of being special. In some loyalty programmes, the sense of being a member of a community is considered more important than financial rewards.

7.5.1 Analyzing Customer Data

In CRM, data mining techniques are used to analyses customer information. Since the results of the analysis and the forecasting of customer response can be used to develop marketing measures and the subsequent behavior of specific customer can be tracked and evaluated a learning system can be created that studies the specific behavior of each customer and can also detect changes in behavior over time. An important potential advantage of CRM is that the success and the profitability of marketing measures can be evaluated in an experimental approach by comparing the

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purchasing behavior of the targeted customer group with a control group based on incremental sales or contribution margin. However up to the present the huge amount of data collected through loyalty results in an inadequate usage of the data because IT capacity and methods of data analysis develop at a slower pace than data availability.

Customer segmentation is a core task of data analysis in theory retailers employing loyalty programmes could segment their customer base down to individual customers, but in practice, the number of segments used is generally limited to between 10 and30. Segmentation criteria include purchasing volumes demographic characteristics geographical aspects shopping motives, attitudes and lifestyles. The options start with very simple segmentation criteria's ABC analysis is used to categorized customers by their annual purchases.' Very often a 20-80 rule is used that 20% of the customers ("A" customers) account for about 80% of retail sales volume. Even if the ratio is often not that extreme it has frequently been shown that the relevance of different customers for a retailer varies considerably. While customer purchase behavior is a backwards oriented criterion total customer lifetime value can serve as a very sophisticated basis for segmentation. Such customer value oriented segmentation shows what customer groups a retailer should focuson, but it doesnot show how to approach the customers. Segmentations based on such consumer behavior as shopping motives or attitudes are better suited to develop tailored marketing.

7.5.2 Using Customer Data

Individual customer information provides insights into consumer behavior that can be used to bring about a general change in a retailer's marketing. In such a case the customer data is used to change macro variables of retail marketing such as the merchandise mix pricing promotion or location decisions. For example, before a product is delisted due to low sales an analysis can be conducted to determine who still buys it's. If for example only 20%of customers purchase the production but those are most valuable customers in the store keeping this product in stock is important for retaining these profitable customers.

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CRM, on the other hand focuses on micromarketing (or one to one marketing) which targets specific consumers or consumer segments based on knowledge of their behavior. The retail service (such as the merchandise offered in advertising promotions services offered) is tailored to certain segments or (seldom) individual customers. Since the store itself is still standardized for all visitors, CRM often does not take place in the store offer, but through marketing communication with specific customers' measures include the following :

- **Addressed direct mailings:** Customized direct mailings to customers 'homes are used in almost all retailer loyalty programmes. The prime communication channel in loyalty programmes is some kind of (tailored or segmented) product catalogue, often with targeted promotions.
- **E-mail marketing :** Direct customer mailings have increased tremendously with the advent of email which is used to distribute customized advertising and newsletters to customers' . Distribution costs are much lower and customizing more flexible and cheaper.
- **In-store multimedia kiosks :** Similar to the Internet multimedia kiosks in retail stores can e used to communicate with each customer individually. At electronic point of sale terminals loyalty cardholders can (among other functions) check their point account order rewards or print out value checks with which they can pay their next purchase.
- **Mobile marketing :** Some retailers already use the customers' mobile phones as communication devices for example for providing coupons by SMS or MMS.
- **Personal shopping assistants :** Digital shopping assistants that a customer can carry or attach to the shopping cart are

still in the testing stage. Based on his loyalty card, such a device can guide the customer interactively through the shopping process in real time. Shopping lists can be displayed, the customer led to certain products, or recipes recommended including the necessary ingredients and their location in the store.

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7.5.3 Loyalty Marketing on the Internet

A higher level of CRM and one to one marketing can be employed in Internet shopping in addition to the purchases total purchasing behavior can be observed with web usage mining's. Over and above the data that can be collected with loyalty cards in store retailing an electronic retailer can track the date and duration of each visit to his web site the time a customer spends looking at a specific production products viewed but not purchased the sequence in which products were viewed or web sites. In contrast to stores the individual data can be employed to tailor the entire retail marketing process to a specific customer from the basic merchandise offer, prices and promotions, to the store design.

The most successful example Amazon shows how individualized product recommendations are derived from connecting the profile of an individual customer (established from his purchase history) to the profiles of other customers. Demand interrelationships are detected systematically. Even the regency of purchases is considered because purchasing behavior can change overtime. Cookies are placed or the customer's login with a pass word and the customer is addressed with a personal store.

7.6 Summary

Over the last decade many retailers have shifted their focus to CRM and introduced loyalty card programmes as a tool. The costs of such a programme are often substantial including those of incentives. IT systems and administration of the programme. Some researchers are critical of the success of such programmes claiming that "loyalty programs do not create

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loyalty. This points to the fact that loyalty programmes have to be monitored closely and that loyalty cards alone are not enough to establish loyalty but have to be employed as part of the overall retail marketing approach. While some researchers also state that it is difficult to judge the ultimate profitability of a loyalty programme this is true for marketing in generals. Furthermore the success of loyalty marketing campaigns can usually be measured more accurately than that of traditional marketing campaigns.

CRM must be compatible with the company's broader strategy. If a primary goal is to achieve market leadership by gaining customers from its main competitors and grow rapidly the maximum number of customers should be attracted. A focus on only the most profitable customers will not be appropriate for the company's strategic objectives. This example illustrates that customer relationship marketing is an increasingly relevant marketing approach in retailing.

However as with all functional strategies, alignment with the overall company strategy is crucial. Some retailers believe that adhering to their core strategy is more important to establish and build loyal customers, than creating a loyalty programme. While this is certainly true for many other retailers CRM offers a universe of options for interacting with their customers'.

Check Your Progress

Discuss the different types of loyalty in retail business?

All in all, the potential gains of analyzing detailed customer data and targeting consumers especially with new media which lower the communication costs of tailored marketing communication still seem enormous.

7.7 Key Terms

Relationship Marketing **:** is a facet of customer relationship management (CRM) that focuses on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales.

Customer Lifetime Value (CLV) : CLV is a prediction of the net profit attributed to the entire future relationship with a customer.

Customer Loyalty **:** Customer loyalty is both an attitudinal and behavioral tendency to favor one brand over all others.

7.8 Questions and Exercises

1. What do you understand by customer relationship management?
2. Discussion the significance of customer relationship management in retail business?
3. How the concept of customer relationship management is vital in retail sector?
4. What is customer life time value and how it is useful in understanding the value of customers for a particular product and business?
5. Discuss the different types of loyalty in retail business?
6. How the increasing role of information technology is facilitating the retail business particular in maintaining a long term relationship with prospective group of customers?

7.9 Further Reading and References

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UNIT 8 : MANAGEMENT OF SERVICES

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8.0 Unit Objectives

After reading this unit, you should be able to understand how the variety of retail services function within a specified area. You will look at the different retail services and examine many operations and organizations, including how retailers work to accommodate their different consumers.

8.1 Introduction

Consumers don't like to wait, nor do they have to today, it's all one click away. This new reality makes it essential for retailers to think faster and respond faster to changes in consumer demand and behavior.

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Acosta provides flexible in-store solutions for its clients. A majority of the Company's clients use its syndicated retail model which leverages one sales force across multiple brands at a given retailer. Acosta's syndicated team is dedicated by retailer (not company), and utilizes resources in any given retail location across all brands the Company represents. Syndicated coverage allows Acosta to maximize the efficiency of in-store hours by servicing multiple CPG brands and decreases drive time between retail locations. Hence, management of retail services has become necessity for all the retail operators to satisfy and retain their prospective consumers.

8.2 Strategic advantage through Customer Services

Customer service is not always crucial to the success of an organization. Its importance is determined primarily by supply & demand. If there are few suppliers and many consumers, suppliers can dictate the terms of the relationship and customers may have no choice but to accept them. Most organizations, however, are not so lucky. Competition has exploded the cozy castles of all but a few protected markets, and will continue to undermine those as well. Where competition flourishes, customer service is essential to an organization's long-term viability. It must be central to its strategy. A company can outperform rivals only if it can establish a difference that it can preserve. Customer service is such a difference.

Few companies are able to excel at customer service, because it is very difficult to control.Left to itself, the level of service may vary greatly between two servers in the same restaurant. One salesperson may offer great service to one customer, and then aggravate the very next person in line. The difficulty is compounded when you have a multi-unit operation.In addition to variability within units, you also have variability among units.

That is both the challenge and the opportunity. The consistent delivery of superior service requires the careful design and execution of a whole system of activities that includes people,capital, technology, and processes. The few companies that can manage this system do stand out, and are sought out. This is the foundation of what Michael Porter calls their sustainable competitive advantage.

But although it does require an almost heroic effort to build and maintain such a system, it's not so hard to get it started. Service today is in such a sorry state that it doesn't take much to surprise most customers, and to make them want to come back for more. The trick is to get started before your competitors do, then to stay a few steps ahead. By doing so, you'll be doing your whole industry (or community, or strip mall) a favor. Unlike price competition, which tends to sink all players, competition on the basis of service is one of those tides that lift all boats.

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8.3 Customer service Strategies

***Strategy 1* : Stay in Touch -** Let your customers know you value their business by reaching out to them. Use newsletters, postcards, individual letters, or e-mails to deliver news about products, special promotions,and store events. (Allow customers to sign up for these missives in the store, and never send an e-mail without their express permission.) Send a thank-you note after a major purchase, inviting the customer to contact you with questions, feedback, or to discuss additional requests. Focus all these communications on letting customers know that you can solve their problems and meet their needs.

***Strategy 2* : Make Great Service a Priority -** Excellent customer service requires training your staff and constantly reinforcing the message that customers come first. Start with the little things, such as a standard way of politely greeting people on the phone or asking that sales staff courteously greet anyone who enters the store.

***Strategy 3* : Store Collective Wisdom -** One of the most important customer strategies is to set up a system for responding tocustomer inquiries or complaints. The last thing you want is for your employees

Check Your Progress

What do you mean by retail services?

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to provideinaccurate information to your customers. Neither should they fail to provide a solution to a problem or quote policies that may not accurately address the situation. Your goal should be to resolve issues during the initial customer contact, or, when that's not possible, within one business day. Whenever necessary, make sure employees let customers know that they may need some time to locate the information. Do not leave customers hanging.

With that in mind, staffers need to know exactly where to look for answers. While it's natural for new employees to rely on the wisdom of more experienced ones, you don't want all that wisdom to walk out the door when someone quits. Develop a "knowledge base"; that is, a store of information with answers to common questions, methods for solving problems, and standards for resolving disputes. Your knowledge base can be as simple as a notebook where staffers or the store manager jots notes; a searchable text file on a computer; or a database.

***Strategy 4* : Empower Your Staff -** In some cases, where there is no policy and occasionally in cases where the policy needs to be flexed — you need to empower certain people to make decisions, use good judgment, and bend the rules. Ask them to document these special cases; you can provide a pad of paper forms, let them enter information into the computer, or simply leave you a voice mail. Depending on the size.

***Strategy 5* : Know Your Customers -** Instituting a formal way of tracking your customer interactions will help you identify your best customers, as well as those who may not have frequented your business in a while. You can also see if someone has needed repairs or is due for servicing on a product.

There are many software applications designed to do this, ranging from powerful and expensive "enterprise software" products to simple Web-based applications that cost less than $20 a month. As you gain new customers, you enter their contact

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information and notes about the transaction into the software. Later, you can sort this data or analyze it to uncover useful information.

But you don't have to use a computer to track customers. A small shop could simply prepare an index card for each customer and file them alphabetically. If the customer returns, sales staff can pull the card from the file, review the history, and note the latest interaction.

***Strategy 6* : Manage Customer Relationships -** Once you have some history on your customers, whether from written notes or via a database, you can identify your best customers and reward them. Perhaps you'll offer a special discount to frequent customers or make a follow-up call to those who have needed recent repair work.

Use the information you've gathered about your customers to make customer service a science. Give them a quality experience and complete satisfaction, and they'll keep coming back for more.Our operation, you may want to designate one person per shift as chief problem-solver.

8.4 Customer evaluations of service quality

Excellent service quality and high customer satisfaction is the key issue and challenge for today's service industry. Customer perception (satisfaction) and customer expectation (importance) determines the service quality performance. Questionnaires help service providers to realize their service quality performance, and the weighted average of customer satisfaction and the associated variance are commonly used indices reflecting customer expectation and customer perception. To evaluate, effectively and efficiently, service quality performance, this paper aims to portray customer expectation and customer satisfaction by assuming that the evaluation scales for expectation and satisfaction are between 0 and

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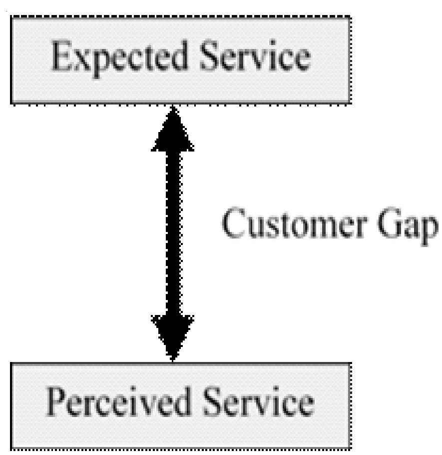
1. This paper defines a customer satisfaction index and a customer expectation index based on the two parameters of a beta distribution, and the unbiased estimators for these two indices are provided. A standardized Service Quality Performance Matrix helps managers realize the service quality performance for important service elements with respect to the locations of the satisfaction index and the expectation index on the Service Quality Performance Matrix to propose adequate service quality improvement plans and strategies.

8.5 Role of Expectation

Factors that Influence Customer Expectations of Service

- Factors that Influence Customer Expectations of Desired Service
- Factors that Influence Customer Expectations of Adequate Service
- Factors that Influence both Desired and Predicted Service Expectations.

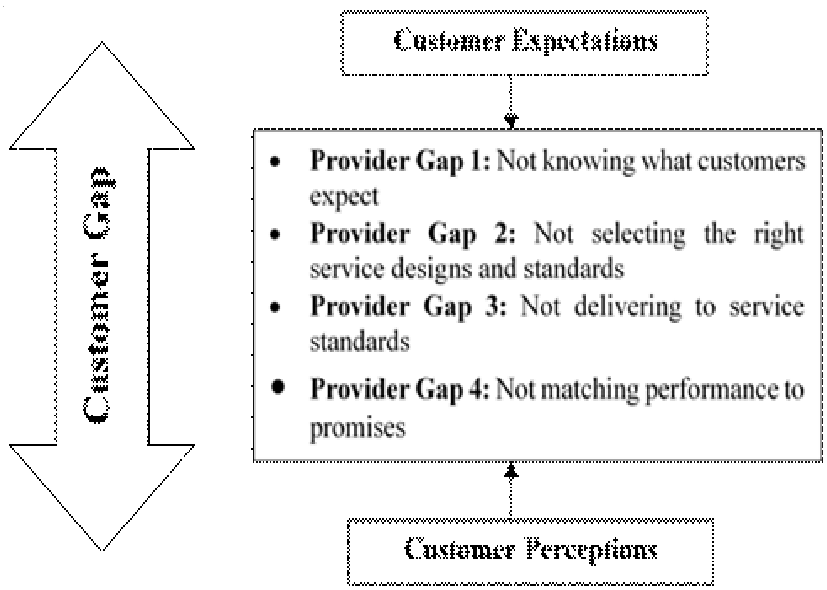
Criteria to Evaluate a Service based on Customers' Service Expectations.



- Managing Customer Service Expectations
- Managing Promises
- Reliability
- Getting it Right the First Time
- Effective Communication

8.6 Perceived service

Key Factors Leading to the Customer Gap



8.7 Knowing what customers want The Knowledge gap

The Customer Gap

1. The Provider Gaps:

- **Gap 1** – not knowing what customers expect
- **Gap 2** – not having the right service designs and standards
- **Gap 3** – not delivering to service standards
- **Gap 4** – not matching performance to promises

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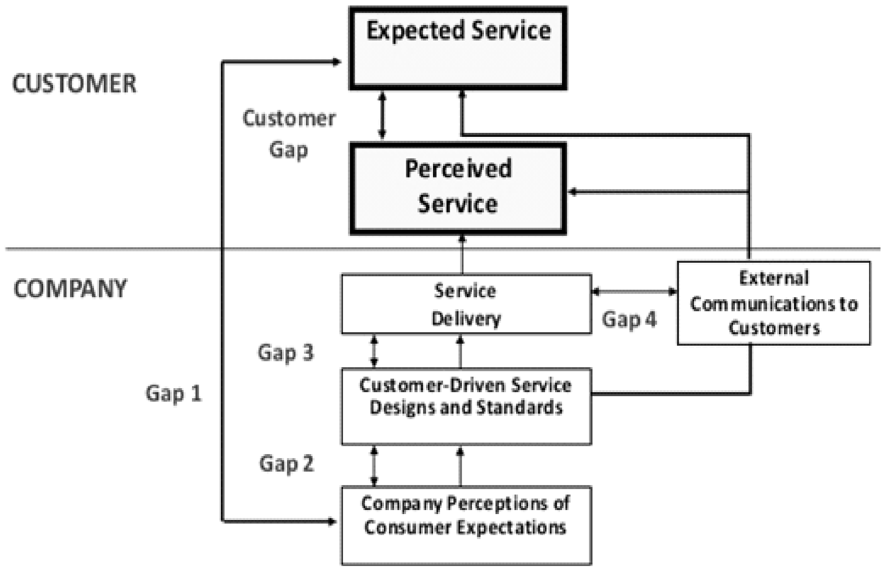
Putting It All Together : Closing the Gaps

The GAP Model, was developed in 1985. It highlights the main requirements for delivering a high level of service quality by identifying five 'gaps' that can lead to unsuccessful delivery of service.



8.8 Summary

Management of retail services is an important part in the retail business. The sound understanding of the consumer requirements and behaviour does play a lot in the management of the retail services. For proper understanding and delivery of retail services the gap model is vital. With the help of GAP model the retail business can specifically recognized the area which are creating dissatisfaction among the retail consumers and can frame strategies to overcome the barriers that are creating dissatisfaction among the consumers.

Check Your Progress

Discuss the GAP model of services?

8.9 Key Terms

***Services* :** Services, as a term, is also used to describe activities performed by sellers and others that accompany the sale of a product and aid in its exchange or its utilizations.

Service quality(SQ) : in its contemporary conceptualization, is a comparison of perceived expectations (E) of a **service** with perceived performance (P), giving rise to the equation SQ=P-E.

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Customer Satisfaction **:** Customer satisfaction is a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectation.

8.10 Questions and Exercises

1. What do you mean by retail services?
2. Define the various strategies which are useful in understanding the retail customer behaviour?
3. What do you mean by GAP in services?
4. Discuss the GAP model of services?

8.11 Further Reading and References

- Retail Services: Lee Perlitz, ýDan Hill, ýMatthew Coxhill – 2012
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UNIT 9: RETAIL INFORMATION SYSTEM (Incorporating Information Technology in Retailing)

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9.0 Unit Objectives

After reading this unit, you should be able to:

- Explain the importance of IT in retailing
- Trace the integrated systems and networking
- Discuss the Marketing Information System
- Create strategic advantage through supply chain and information system

9.1 Introduction

Retail management involves running a store where merchandise is sold. Retail management information systems include the use of hardware, software and procedures to manage activities such as planning, inventory control, financial management, logistics and point of sale transactions. Use a retail management information system in your business when you need to manage your store, finances and inventory from one office.

Information Technology (IT) refers to the management and use of information using computer-based tools. It includes acquiring, processing, storing, and distributing information. Most commonly it is a term used to refer to business applications of computer technology, rather than scientific applications. The term is used broadly in business to refer to anything that ties into the use of computers.Mostly businesses today create data that can be stored and processed on computers. In some cases the data must be input to computers using devices such as keyboards and scanners. In other cases the data might be created electronically and automatically stored in computers.In this unit, you will learn about the role of information technology in retailing.

9.2 Importance of IT in Retailing

Information technology is one of the greatest enablers of the Collaboration between the vendor and Retailer. Wal-Mart, the largest company in the world with more than 2,700 stores and $ 217 billion in revenue last year, gets a major competitive advantage from the efficiency of its electronic product information, ordering, supply-chain management and delivery systems. It possess the influence to get manufacturers into collaborative E- business, because it can represent 5% to 30% of a manufacturer's total business. Wal-Mart requires every manufacturer to manage its own in-store inventory and uses EDI networks and its private collaborative trading hub, Supplier Link, to consolidate global purchasing. It brings 10,000 suppliers online to bid on contracts and communicate sales and inventory data. Wal-Mart also uses its networks to manage its Supply Chain and Logistics. In this kind of an environment, greater data transparency and information sharing as well the speed of response cement the supplier-retailer relationship. The same is the case with 7-Eleven Inc., with over 30,000 suppliers in all-different sizes. Even in the fashion conscious sectors of Retailing, the use of IT helps. Payless' sources nearly 80% of the 250 million pairs of shoes sold through its 5,000 stores from Asia. This represents challenges in a style-oriented business. The shoe business is very fashion driven. Many products have short lifecycles like 13 weeks. Payless is concentrating on a core vendor/core factory programme to achieve production efficiencies and stay ahead of fashion trends. The speed of interacting, enabled by it helps in competing with similar stores in the shoe business.

Computers have replaced cash registers for billing. The bar coded products using UPC and EDI are scanned for billing. The importance of information technology in retail sector stems from the importance of data. Data is nothing but information which aids decision-making. The use of technology aids data collection. Data can be collected about consumers, frequency of their buying. This can help a retailer in distinguishing customers. The use of information technology serves as a basis for integrating the functioning of various departments. With an increase in the number of outlets, collecting and analyzing information becomes indispensable. Technology plays crucial role in this regard. Technology has been applied to some of

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Check Your Progress

Discuss about the importance of IT in retailing?

the unique requirements of the retail business like the need for product identification, the need for quick billing and settlement of bills electronically and specialized logistics applications.

Modern technology is making information required for retailing decisions ever more accessible. It is possible to track customer buying behaviour and better analyses and understand whatcustomers want. The integration of various modern technologies is allowing companies to access valuable information.

9.3 Strategic Advantage through Supply Chain and Information System

E-SCM covers all aspects of a business, from the stage of raw materials right on to the end user. Each and every aspect of the cycle is covered by the E-SCM be it sourcing, product design, production planning, order processing, inventory management, transportation, ware housing and customer service. The E-SCM manages the flow between the different cycles and spans across the different departments and companies involved and the applications used by these departments and companies should be able to talk to each other and understand each other for the E-SCM to work properly.

In a traditional company which does not employ E-Commerce 17%-50% of the price of its products is got from the cost of just moving the products from their manufacturing plant to shop shelves. This includes the margin of the retailer and of the distributors. Most of the cost is attributed to logistics and holding inventory. An efficient E-SCM can bring down the prices of products by as high as 40% and it does so by eliminating overstocking by reducing the average inventory levels to what is needed and by so doing lowering warehousing costs and transport costs since there won't be any unnecessary trips when every stage of the supply chain is in synch with each other. This will not only give the company a cost benefit but will also result in improved customer service levels, improved competitiveness and an overall gain in profitability for the organization.

In an E-SCM application system communication between the different departments or different companies is in real time and data can be integrated with back office systems thus reducing paperwork. Using the Web to eliminate paper transactions can generate substantial savings of cost and time. It facilitates the removal of purchase orders, delivery confirmations, bills of material and invoices. The switch away from paper can also speed up response and improve communications with those in different time zones or who work outside normal office hours. Another significant potential benefit is a reduction in the errors associated with activities such as re-keying data and receiving orders by telephone calls and handwritten faxes.

To leverage the full benefits of e-logistics in an E-SCM and achieve full customer satisfaction visibility throughout the entire supply chain must be completely transparent. This is achieved through the movement of information in tandem with goods and services. Customers thus have complete real time consignment status information over the Web, while at the same time suppliers and delivery companies can save on the salary previously devoted to employees answering queries on order status.

E-SCM's main strategic advantage lies in its ability to allow real time exchange of information to take place between the company's employees and their trading partners, namely customers, distributors and manufacturers, regarding product configuration, order status, pricing and inventory availability. Such functions improve order accuracy and provide 100% order fulfilment through accurate inventory information. This real-time data enables users to make informed ordering, purchasing and inventory decisions and thereby enhances the quality and scope of customer service.

In addition to increasing productivity and reducing overall operating expenses, E-SCM maximizes selling opportunities by capturing valuable customer information-buying patterns, frequencyof visits, preferences, order history and then uses this information for up-selling,

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cross-sellingand promotional opportunities. E-SCM provides the tool sets to get new business by reaching out to customers that you never could before.

A strategic IS has been defined as "the information system to support or change enterprise's strategy". Strategic management is the technique that an organization can plans the strategy of its future operations; in the other word a SIS is a system to manage information and assist in strategic decision making. The term strategic points to the long-term nature of this mapping exercise and to the large magnitude of advantage the exercise is expected to give an organization (Turban 2006). Four critical factors in developing and strategic IS are Initiation, data collection, strategy formulation and short-term development. These factors are used to prioritize proposed ISs, so that those giving competitive advantage to the organization can be highlighted for immediate development (Karababas et al, 1994). IT contributes to strategic management in many ways (for addition information see Kemerer, 1997, and Callon, 1996). Turban et al (2006) introduce these eight factors:

1. **Innovative applications :** IT creates innovative applications that provide direct strategicadvantage to organizations. For example, Federal Express was the first company in itsindustry to use IT for tracking the location of every package in its system. Next, FedEx wasthe first company to make this database accessible to its customers over the Internet.FedEx has gone on to provide e-fulfilment solutions based on IT and is even writingsoftware for this purpose (Bhise et al., 2000).
2. **Competitive weapons :** ISs themselves have long been recognized as a competitive weapon(Ives and Learmouth, 1984, and Callon, 1996). Michael Dell, founder of Dell Computer,puts it bluntly: "The Internet is like a weapon sitting on the table, ready to be picked up byeither you or your competitors".

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3. **Changes in processes :** IT supports changes in business processes that translate to strategicadvantage (Davenport, 1993). For example, Berri is Australia's largest manufacturer anddistributor of fruit juice products. The principal goal of its enterprise resource planningsystem implementation was "to turn its branch-based business into a national organizationwith a single set of unified business processes" in order to achieve millions of dollars incost-savings (J.D. Edwards, 2002a). Other ways in which IT can change business processesinclude better control over remote stores or offices by providing speedy communicationtools, streamlined product design time with computer-aided engineering tools, and betterdecision-making processes by providing managers with timely information reports.
4. **Links with business partners :** IT links a company with its business partners effectively andefficiently. For example, Rosenbluth's Global Distribution Network allows it to connectagents, customers, and travel service providers around the globe, an innovation thatallowed it to broaden its marketing range (Clemons and Hann, 1999).
5. **Cost reductions :** IT enables companies to reduce costs. For example, a Booz-Allen &Hamilton study found that: a traditional bank transaction costs $1.07, whereas the sametransaction over the Web costs about 1 cent; a traditional airline ticket costs $8 to process, an e-ticket costs $1 (ibm.com/ partner world/pw home. nsf/v Assets Lookup /ad2.pdf/$file/ ad2.pdf). In the customer service area, a customer call handled by a live agent costs $33, butan intelligent agent can handle the same request for less than $2 (Schwartz, 2000).
6. **Relationships with suppliers and customers :** IT can be used to lock in suppliers andcustomers, or to build in switching costs (making it more difficult for suppliers or customersto

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switch to competitors).

7. **New products :** A firm can leverage its investment in IT to create new products that are indemand in the marketplace. According to Vandenbosch and Dawar (2002, p. 38), "Theredefinition of ICI's role not only generated much higher margins for the business, it also gave ICI a much more defensible competitive position".
8. **Competitive intelligence :** IT provides competitive (business) intelligence by collecting and analyzing information about products, markets, competitors, and environmental changes (Guimaraes and Armstrong, 1997).

9.4 Flow of Information and Products in Supply Chain

The design of information flow in supply chains has traditionally followed the physical flow along the chain (Lewis and Talalayevski, 2004). Sub-optimal supply chain performance, in many cases, has been the result of poor information sharing. Adopting advanced information systems, which enable efficient information sharing between the members of supply chains and over supply chain phases, may however change the situation. Instead of suffering from scarcity of data, the challenge for companies is to achieve good quality information (Wagner, 2002) and to decide which data can be utilized in decision making to improve supply chain performance and which data can be ignored.

Information flows in the supply chain are bidirectional. From an SCM perspective, it can be argued that managing the information flows is the most critical of the activities described in this article. This is because the flow or movement of materials or money is usually triggered by an associated information movement. Effective management of material and money flows is, therefore, predicated upon the effective management of the related information flows. It is not surprising, therefore, that recent years have seen a huge interest in this area in the literature (see, for example: Evans et. al., 1993; Mason-Jones and Towill, 1998). The bullwhip effect to which Forrester (1958) referred is essentially the product of poor information management in the supply chain and leads to a requirement to hold excessive inventory levels. The corollary of this is that if levels of demand visibility are high throughout the supply chain then inventory levels can be reduced. As Christopher (2005) notes, good information effectively becomes a substitute for high levels of inventory.

Recent years have also seen rapid developments in ICT used to facilitate SCM. McDonnell et al. (2004) proposed a taxonomy of supply chain ICT solutions which identifies four primary categories as follows:

- Point solutions: used to support the execution of one link (or point) in the chain (e.g. warehouse management systems or WMS);
- 'Best of breed' solutions: where two or more existing stand-alone solutions are integrated, usually using middleware technology;
- Enterprise solutions: based on the logic of enterprise resource planning (ERP), these solutions attempt to integrate all departments and functions across a company into a single computer system that can serve all those different departments' particular needs; and
- Extended enterprise solutions (XES): refers to the collaborative sharing of information and processes between the partners along the supply chain using the technological underpinnings of ERP.

The move away from point towards enterprise solutions in many ways reflects the shift from internal and functional, to external and process, management orientations in recent years (ashighlighted earlier). Other technologies, in particular electronic data interchange (EDI) and the Internet, have enabled supply chain partners to use common data. As noted by

Christopher (2000), this facilitates supply chain agility as companies can act based on 'real demand, rather than be dependent upon the distorted and noisy picture that emerges when orders are transmitted from one step to another in an extended chain'.

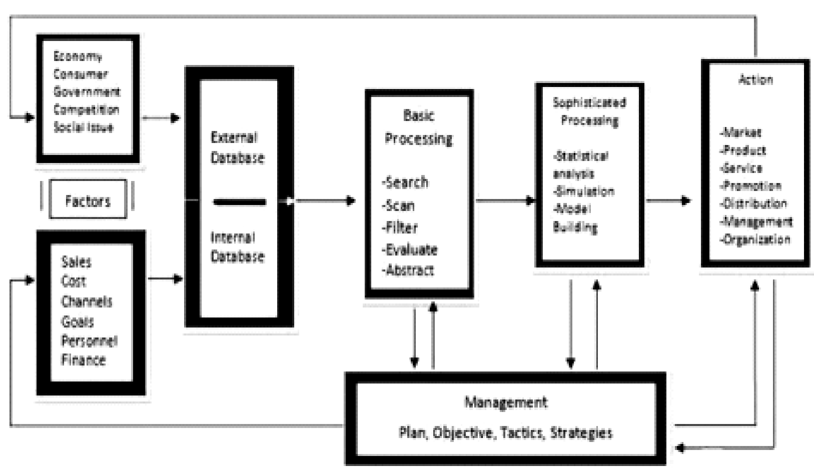
9.5 Integrated Systems and Networking

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

9.5.1 Marketing Information Systems (MIS)

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

Elements of MIS



9.5.2 Retail Management Information System

This includes the use of hardware, software and procedures to manage activities such as planning, inventory control, financial management, logistics and point of scale transactions.

9.5.3 Radio Frequency Identification Device (RFID)

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

Figure Component of ERP.

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9.5.4 Networking

In the world of computers, networking is the practice of linking two or more computing devices together for the purpose of sharing data. Networks are built with a mix of computer hardware and computer software.

Networks can be categorized in several different ways. One approach defines the type of network according to the geographic area it spans. Local area networks (LANs), for example, typicallyreach across a single home, whereas wide area networks (WANs), reach across cities, states, or even across the world. The Internet is the world's largest public WAN.

9.6 Electronic Data Interchange

Electronic Data Interchange (EDI) is the inter-organizational exchange of business documents in structured, machine process able form. Electronic data Interchange can be used to electronically transmit documents such as purchase orders, invoices, shipping bills, receiving advices and other standard business correspondence between trading partners. EDI can also be used to transmit financial information and payments in electronic form. Payments carried out over EDI are usually referred to as Electronic Funds Transfer (EFT). EDI should not be viewed as simply a way of replacing paper documents and traditional methods of transmission such as mail, phone or in-person delivery with electronic transmission. But it should be seen not as an "end" but as a means to streamline procedures and improving efficiency and productivity.

Use of EDI in retail business reduces costs. It also strengthen the relationship between the retailer and the supplier. A supplier can spot trends in purchase and accordingly realign its production if there is an EDI exchange between a retailer and the supplier.

Check Your Progress

What are the components of ERP?

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9.7 Bar Coding

Bar coding is a proven technology for automated data collection needs of the business. In general terms, "a barcode actually contains any given alpha numeric information encoded in the form of bars and spaces using international symbolizes which are like language of the barcode." On retail products, the barcode normally contains the product ID (e.g. item code, product code etc.) which is required to be entered into the computer system to update the data at the time of billing, receiving or dispatch. With the barcode in place, the data is fed into the system automatically by scanning the barcode using a bar code scanner instead of punching the same through a keyboard.

The fast checkout and reduced queues attracts more customers and ensures that customer visit the store again and again. The Bar Code scanners at point of sales help in the elimination of queues with fast checkout by automating the data entry into system. The barcode scanner is basically a device which plugs into a computer system just like another keyboard and feed the barcode data into a computer.

9.8 Customer Database Management

A database refers to the collection of comprehensive information about customers and prospects such as demographic and psychographic profiles, products and services they buy, and purchase volumes, etc., arranged in a manner that is available for easy access and retrieval. Databases allow marketers access to an abundance of information, often through a computer system such as sales reports, news articles, company news releases, and economic reports from government and private agencies, etc., that can be useful in making various marketing decisions.

A simple purchase at any retail store can enable the store to gather a vast amount of information about its customers and products. The use of systems to organize, retrieve, search and manage that data is termed as

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database management. Data can be with respect to products, customers, vendors and suppliers or a combination of them put together.

The elements of database management are data warehousing and data mining. Let us take the example of a customer who buys a pair of cotton chino trousers from a large department store chain in Mumbai. The customer is also a member of the loyalty programme run by this chain and visits the store frequently.

9.9 Electronic Retailing

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

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

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

9.10 Role of Web

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

9.10.1 Online Retailing – Advantages

E-tailing offers unique advantages to the consumer that no other form of retailing can match. The hypertext nature of the medium allows for more flexible forms of transactions (growth of C2B and C2C) to flourish. It allows for easier comparisons across broad product categories with the evolution of shopping bots and similar mechanisms. The medium also offers flexible/ dynamic pricing mechanisms to the consumer. These evolutions reduce any friction in the online market place and stimulate the use of the web as a retail environment. In the long-run, this will benefit the marketers as well as the consumers. Further, this will penalize the marketers who thrived in market places that had entry barriers in the form of a lack of freely available information. Earlier, such a situation restricted the customers in making informed choices and led to inefficient pricing and localized monopolies.

Reasons for e-tailing coming up as a hot avenue in the retail sector can be attributed to multiple factors such as:

- No Real Estate Costs
- No Real Estate Costs
- Customer Interaction
- Mass Media
- Search Option
- User Friendly
- Effective Price Discrimination
- Customized Product Placement
- Global Reach

9.10.2 Factors to be Considered in Developing Website

An evaluation of the following is important while considering developing a website.

- Goals and objectives
- Target Audiences
- The Content
- Browser platform

9.10.3 Limitations of Web

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

1. **Security issues :** Security issues hold the center stage when it comes to consumer concerns while shopping

through the online media. A lack of trust and privacy concerns prevents a lot of consumers from making online purchases. Consumers are also concerned with the use of their personal data provided during the online transactions.

2. **Customer retention :** In e-tailing, an increase in the customer retention by 5% leads to a corresponding increase in profits by 25%. Most of the people buying on the Internet do so out of curiosity and this makes a repeat purchase highly unlikely.
3. **Unsuitable for certain product categories :** In case of product categories that require relatively higher customer involvement, the e-tailing route is found to be grossly inadequate in providing sufficient information to the customers. Examples include retailing of products like clothes, cosmetics etc. Most customers are comfortable buying books and music on the Internet because the information required for making a purchase and the customer involvement is low. However, in case of a blue Trouser, the customer may want to know things such as: Which shade of blue is it? How does it feel on the skin? How easily does it crease? The traditional retailing does not suffer from such a problem. In the non-standard product categories, the Internet offers limited amounts of crucial information to the customer. In such cases, only the seller knows about the true quality of the trouser and this leads to an 'information asymmetry'.
4. **Shopping is still a touch-feel-hear experience :** Some do not suffer from 'time-poverty' and shopping is still considered to be a family outing. Hence this type of an environment creates a problem of customer retention.
5. **Complicated medium :** Ease of use is a problem, as the web design may suffer from high complexity bordering on

total chaos in some cases.

6. **Navigation hiccups :** E-tail stores do not have standardized designs in comparison to the physical retail stores and product catalogs. Therefore different user behaviors (navigation schemes) need to be learned for each e-tail store. This is a temporary issue as the evolution of the web continues.
7. **Website design flaws :** Graphic presentation and aesthetics may not be as compelling for a web site as in case of a physical retail store or a product catalog. This is a temporary issue that may resolve with the evolution of the web design.
8. **Limited access to the Internet :** Not all customers have access to the web, as they do to the postal system. This is a temporary issue as the evolution of the web continues.

9.10.4 Future Trends in E-tailing

The investment and improvements in the communication infrastructure will lead to the mass offering of electronic services in the home from several appliances. Established appliances, including the television and telephone will be equipped to provide simple access to electronic products and services. Furthermore, the increased power and portability of computers will facilitate easy, carefree, and daily use of electronic shopping options.

9.11 Summary

The importance of formulating a retail market strategy is understood by all small and big retailers. To build a competitive advantage that can be sustained, retailers need to pay special attention to aspects like price, location, merchandise, service and communications. Operations, purchasing/logistics, market research, financing and technology, which determine the strategic positioning of the firm are also equally important. Retailers are facing an increasingly competitive environment due to the relatively slow growth of the retailing sector, increasing maturity and concentration of many retailing sectors, the emergence of new retailing formats such as the internet, changes in consumer expectations and expenditure, and competition from international retailers. The major drivers of competition within the industry are the threat of new entrants, the treat from substitute forms of retailing (that is, intertype competition), the bargaining power of producers, the bargaining power of shoppers, and the intensity of rivalry between firms. The relative balance between competing retailers and their competitive retail marketing strategies also influences the intensity of competition. E-tailing has resulted in the development of e-tail software tools for creating online catalogs and managing the business connected with doing e-tailing. A new trend is the price comparison site that can quickly compare prices from a number of different e-tailers and link you to them.

9.12 Key Terms

Electronic Data Interchange **:** It is the structured transmission of data between organizations by electronic means.

Enterprise Resource Planning **:** A business management system that integrates all facets of the business, including planning, manufacturing, sales, and marketing.

E-tailing **:** Selling on retail goods on internet.

Marketing Information Systems **:** It refers to a programme for managing and organizing information gathered by an organization from various internal and external sources.

Radio Frequency Identification **:** It is the use of an object applied to or incorporated into a product, animal, or person for the purpose of identification and tracking using radio waves.

9.13 Questions and Exercises

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1. Discuss about the importance of IT in retailing.
2. What do you know about integrated systems and networking?
3. Explain the marketing information system.
4. Describe the retail management information system.
5. Discuss about the importance of IT in retailing.
6. What do you know about integrated systems and networking?
7. Explain the marketing information system.
8. Describe the retail management information system.
9. What are the components of ERP?
10. What are the components of ERP?

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UNIT 10: RETAILING IN INDIA-OPPORTUNITY AND CHALLENGES

10.0 Unit Objectives

This unit discusses the challenges like merchandising mix, retail differentiation, supply chain management and also competition from supplier's brand in the Indian perspective.

10.1 Introduction

Retailing is still in its infancy in India. In the name of retailing, the unorganized retailing has dominated the Indian landscape so far. According to an estimate the unorganized retail sector has 97% presence whereas

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the organized accounts for merely 3%. Industry has already predicted a trillion dollar market in retail sector in India by 2010. However, the retail industry in India is undergoing a major shake-up as the country is witnessing a retail revolution. The old traditional formats are slowly changing into more complex and bigger formats. Malls and mega malls are coming up in almost all the places be it – metros or the smaller cities, across the length and breadth of the country.

A McKinsey report on India (2004) says organized retailing would increase the efficiency and productivity of entire gamut of economic activities, and would help in achieving higher GDP growth. At 6%, the share of employment of retail in India is low, even when compared to Brazil (14%), and Poland (12%).Govt of India's plan of changing the FDI guidelines in this sector speaks of the importance attached to retailing. Recently moves by big corporate houses like Reliance Industries has further fueled the major investments in retail sector. A strategic alliance, land acquisitions in prime areas give the essence of the mood in this sector.

Both MNCs and Indian firms want to get their share of this burgeoning pie. Notable in Indian firms are Pantaloons Retail & Big Bazaar, Trent's Westside, Shopper's stop, Reliance and Subhiskha, Wills Lifestyle stores, Café Coffee Day, which are present in India in different retail formats. Wal-Mart stores have just started operations in India. Some leading retail coffee chains of the world like Starbucks, Barnies are planning to expand in a major way in India.

10.2 The Indian Retail Sector

India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailer's function in less than 500 square feet of shopping space. Global retail consultants KSA Techno Pak have estimated that organized retailing in India is expected to touch Rs 35,000 crore in the year 2005-06. The

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Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. There is no doubt that the Indian retail scene is booming. A number of large corporate houses —Tata's, Raheja's, Piramals's, Goenka's - have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores. Today the organized players have attacked every retail category.

The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies or having a well thought out branding strategy. The growth rate of super market sales has been significant in recent years because greater numbers of higher income Indians prefer to shop at super markets due to higher standards of hygiene and attractive ambience. With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market. In recent years, a few retail chains specialized products have come into the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products .Numerous clothing and footwear shops in shopping centers and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have

Check Your Progress

Define the retail sector in India?

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modern products and attractive displays to lure customers. With rapid urbanization, and changing patterns of consumer tastes and preferences, it is unlikely that the traditional outlets will survive the test of time. Despite the large size of this market, very few large and modern retailers have established specialized stores for products.

There seems to be a considerable potential for the entry or expansion of specialized retail chains in the country. The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector. Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector. Another prominent feature of this sector is popularity of franchising agreements between established manufacturers and retailers. A strong impetus to the growth of retail industry is witnessed by economic boom and driver of key trends in urban as well as rural India.

10.3 Key Trends in Urban India

Retailing in India is witnessing a huge revamping exercise.

a. Estimated to be US$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US$ 6.4 billion.

b. India is rated the fifth most attractive emerging retail market: a potential goldmine.

c. Ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney.

d. India is rated the fifth most attractive emerging retail market: a potential goldmine

e. Food and apparel retailing key drivers of growth.

f. Organized retailing in India has been largely an urban phenomenon with affluent classes and growing number of double-income households.

10.4 Key Trends in Rural India

a. Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories of consumption

b. ITC is experimenting with retailing through its e-Choupal and Choupal Sagar – rural hypermarkets.

10.5 The Hidden Challenges

Modern retailing is all about directly having “firsthand experience” with customers, giving them such a satiable experience that they would like to enjoy again and again. Providing great experience to customers can easily be said than done. Thus challenges like retail differentiation, merchandising mix, supply chain management and competition from supplier’s brands are the talk of the day. In India, as we are moving to the next phase of retail development, each endeavor to offer experiential shopping. One of the key observations by customers is that it is very difficult to find the uniqueness of retail stores. The problem: retail differentiation.

The next problem in setting up organized retail operations is that of supply chain logistics. India lacks a strong supply chain when compared to Europe or the USA. The existing supply chain has too many intermediaries: Typical supply chain looks like:- Manufacturer - National distributor - Regional distributor - Local wholesaler - Retailer - Consumer.

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This implies that global retail chains will have to build a supply chain network from scratch. This might run foul with the existing supply chain operators. In addition to fragmented supply chain, the trucking and transportation system is antiquated. The concept of container trucks, automated warehousing is yet to take root in India. The result: significant losses/ damages during shipping.

Merchandising planning is one of the biggest challenges that any multi store retailer faces. Getting the right mix of product, which is store specific across organization, is a combination of customer insight, allocation and assortment techniques.The private label will continue to compete with brand leaders. So supplier's brand will take their own way because they have a established brand image from last decades and the reasons can be attributed to better customer experience, value vs. price, aspiration, innovation, accessibility of supplier's brand.

10.6 Strategies to Overcome Challenges

10.6.1 Right Positioning

The effectiveness of the mall developer's communication of the offering to the target customers determines how well the mall gets positioned in their minds. At this stage, the communication has to be more of relative nature. This implies that the message conveyed to the target customers must be effective enough in differentiating the mall's offering from that of its competitors without even naming them. The message should also clearly convey to the target audience that the mall offers them exactly what they call the complete shopping-cum-entertainment point that meets all their expectations. The core purpose is to inform the target customers about the offering of the mall, persuade them to visit the mall and remind them about the mall. The mall developer can create awareness about the offering among the target customers in a number of ways. Various communication tools available to the mall developer for this purpose may

Check Your Progress

What are the challenges the retail sector of India is facing?

include advertising, buzz marketing (WoM), celebrity endorsement, use of print media, press releases and viral marketing .Once the message is being conveyed through these channels, the mall developer must add a personal touch to his message by carrying out a door-to-door campaign in order to reinforce the message.

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10.6.2 Effective Visual Communication

Retailer has to give more emphasis on display visual merchandising, lighting, signage and specialized props. The visual communication strategy might be planned and also be brand positioned. Theme or lifestyle displays using stylized mannequins and props, which are based on a season or an event, are used to promote collections and have to change to keep touch with the trend. The merchandise presentation ought to be very creative and displays are often on non-standard fixtures and forms to generate interest and add on attitude to the merchandise.

10.6.3 Strong Supply Chain

Critical components of supply chain planning applications can help manufacturers meet retailers' service levels and maintain profit margins. Retailer has to develop innovative solution for managing the supply chain problems. Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning, lean systems and staff should help retailers to get advantage over competitors.

10.6.4 Changing the Perception

Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. Retailer has to provide more assortments for private level brands to compete with supplier's brand. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get edge over supplier's brand.

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10.7 Summary

In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing Positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

10.8 Key Terms

Supply Chain : A supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer.

Visual Communication : Visual communication is communication through a visual aid and is described as the conveyance of ideas and information in forms that can be read or looked upon.

Positioning : An effort to influence consumer perception of a brand or product relative to the perception of competing brands or products. Its objective is to occupy a clear, unique, and advantageous position in the consumer's mind.

***Retail Sector* :** The part of a country's economy that is made up of businesses that sell goods through stores, on the internet, etc. to the public.

10.9 Questions and Exercises

1. Define the retail sector in India?
2. What are the challenges the retail sector of India is facing?
3. Examine some strategies that you see in your locality and demonstrate

them for overcoming the challenges of retail sector in India.

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