Directorate of Distance Education

UNIVERSITY OF JAMMU

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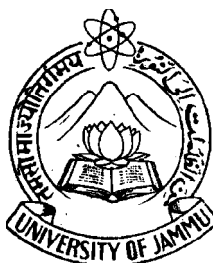
SELF LEARNING MATERIAL

FOR

B.A. SEMESTER-III

Subject : Marketing Management	Unit : I - V
Course No. : MK-301	Lesson No. 1 - 15

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MARKETING MANAGEMENT

Lessons reviewed :

• Lesson 1, 2, 3, 4, 5 & 6

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• Lesson 7, 8, 9, 13 & 14

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Lessons Written :

• Lessons 10, 11, 12 & 15

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CONTENT

Detailed Syllabus of Marketing Management for the Examination to be held in the years 2020

MARKETING MANAGEMENT

SEMESTER - III

Course No. : MK 301   Title : Retail Management

Duration of Exam : 3 Hrs   Total Marks : 100

Theory Examination : 80

Internal Assessment : 20

Objective : The objective of this course is to impart elementary knowledge regarding various aspects of Retail Management.

UNIT-I An Introduction to Retail System, Retailing, Definition, Nature, Importance, The Retailing Environment, The Development of Retail Institution, Dynamics of Institutional Change, Retail as a Career.

UNIT-II The Retail Consumer, Purchase Behaviour, Buying Process, Factors Affecting Consumer Behaviour and Decision, Consumer - An Individual Approach and Sociological Approach, Reference - Group Influence.

UNIT-III Merchandise Planning Warehousing & Supply Chain Management - Role of IT in Supply Chain Management, Merchandise Flow, Online Logistics Management, Retail Pricing, Credit Management, Retail Promotion, Training to Staff, Employee Motivation, Organization Culture.

UNIT-IV Emergence of Organized Retailing, Traditional and Modern retail Formats in India, Retail Formats: Store Based and Non store Based Formats, Generalist and Specialist Retailer, Service Retailing, E-Retailing, Retailing in rural India, Environment and Legislation for Retailing, FDI in Retailing.

UNIT-V   Retail Store Location, Types of Location Site, Factors determining the location selection, Retail Location Strategies, Retail Store Layout - Exteriors and Interiors, Visual Merchandising, Customer service and Relationship Management in Retail

Note for Paper Setter

The question paper shall contain two questions from each unit (total ten questions) and a candidate will be required to answer five questions selecting one from each unit. Thus, there will be an internal choice within each unit.

Internal Assessment (Total Marks : 20)

The marks shall be distributed as under :-

Two Home Assignments   10 Marks each

Suggested Readings :

1.   Mustafa, A., Retail Management Himalayan Publishing House, Edition 2013.

2.   Nair Suja R., Retail Management Himalayan Publishing House, Edition 2013.

3.   Michael Levy & Barton A. Weitz, Retail Management

ent, McGraw Hill, 4th Edition 2013.

4.   Kumar, N. Retail Management

5.   Berman, Berry & Others, Retail Management, Pearson Education New Delhi

6.   Santoki, C. N., Sales and Retail Management, Kalayani Publisher, New Delhi

Unit 1   **Lesson 1-3**

INTRODUCTION TO RETAIL SYSTEM

STRUCTURE

1.1   AN INTRODUCTION OF RETAIL SYSTEM

The word 'Retail' is derived from a French word with the prefix re and the verb tailer meaning "to cut again". Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers. In other words, retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business. Manufacturers engage in retailing when they make direct sales-to-consumer of their products through their own stores (as Bata and Carona shoe companies, D.C.M. Stores, Mafatlals and Bombay Dyeing) by door-to-door canvass, or mail order or even on telephone. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling. A retailer is a merchant or occasionally an agent or a business enterprise, whose main business is selling directly to ultimate consumers for non-business use. He performs many marketing activities such as buying, selling, grading, risk-trading, and developing information about

cusotmer's wants. A retailer may sell infrequently to industrial users, but these are wholesale transactions, not retail sales. If over one half of the amount of volume of business comes from sales to ultimate consumers, i.e. sales at retail, he is classified as a retailer. Retailing occurs in all marketing channels for consumer products.

Liberalized financial and political environment in India has prompted a wave of large number of entrants into the country's rapidly growing retail industry during the past few years, without doubt, the retail industry in India is in the era of radical restructuring. The fundamental drivers of change are increasing per capita income, growing GDP, availability of consumer finance and therefore irreversible. Retailing in general sense consists of business activities that are involved in buying and selling of goods and services to ultimate consumers for their own use ranging from bread butter to automobiles to apparels to airline tickets.

In India, after agriculture, retail is the second largest sector that provides enough employment to Indian workforce. But retailing in India is at cross roads on the one side, retail sales are making new heights year after year and on the other side, traditional Indian retailers (Kirana stores) face numerous challenges.

Experts believe that retail expansion in the coming five to seven years is expected to be stronger than our Indian GDP growth, driven by changing lifestyles and by strong income growth, which in turn will be supported by favorable demographic patterns and the extent to which organized retailers succeed in reaching lower down the income scale to reach potential consumers towards the bottom of the consumer pyramid. Use of plastic money, easy availability of consumer credit will also assist in boosting consumer demand.

Today, a vast majority of India's young population favors branded goods. With the spread of satellite televisions and visual media, urban life style trends have spread across the rural areas also. The shopping extravaganza of the Indian middle class especially the young population for clothing, eating outside and lust for modern living styles has unleashed new possibilities for retail growth even in the rural areas.

Thus, 85% of the retail boom which was focused only in the metros has started to infiltrate towards smaller cities and towns. Tier-II cities are already receiving focused attention of retailers and the other smaller towns and even villages are likely to join in the coming

years. This is a positive trend, and the contribution of these tier-II cities to total organized retailing sales is expected to grow to 20-25%. One of the principal reasons behind the explosion of retail and its fragmented nature in the country is the fact that retailing is probably the primary form of disguised unemployment/underemployment in the country.

1.2   OBJECTIVES:

After going through this unit, you will be able to explain

➢   Retail system

➢   Characteristics and scope of retail sector

➢   The importance of retailing

➢   Retail environment

➢   The development of retail institution

1.3   MEANING AND DEFINITION

To better understand the role of retail format in an economy and its significance, let us first try to understand what actually retail is? And how it is different from wholesale business? Retailing consists of selling merchandise from a permanent location (a retail store) in small quantities directly to the consumers. These consumers may be individual buyers or corporate. In the world of Trade and Commerce, a retailer purchases goods or merchandise in bulk from manufacturers directly and then sells in small quantities are known as Retail stores or shops.

Shops may be located in residential areas, colony streets, community centers or in modern shopping arcades/ malls. In fact, any organization selling merchandise to final consumers -whether a producer, wholesaler or a retailer is doing retail business.

It does not take into account how the merchandise is being sold. While on the other hand, retail format is a blend of product range, pricing, marketing and the way the items are displayed. A retail-format will be suitable for a retailer who does not depend upon market practice but upon retailer's budget, merchandise and the need of the locality. A good format draws more footfalls and helps retailer a platform to succeed and earn name and fame.

1.4   OVERVIEW OF RETAIL SECTOR

All over the world, retailing is undergoing a process of evolution and is poised to undergo dramatic transformation. With special reference to India, the retail sector employs over 10 percent of the national work force but is characterised by a high degree of fragmentation with over 5 million outlets, 96 percent of whom are very small with an area of less than 50 m^2 . The retail universe doubled between 1986 and 2006 and the number of outlets per 1000 people at an all India level increased from 4.9 in 1988 to 14.8 in 2006. Because of their small size, the Indian Retailers have very little bargaining power with manufacturers and perform only a few of the flows in marketing channels unlike in the case of retailers in developed countries. The corner grocer or the 'Kiryana' Store is a key element in the retail in India due to the housewifes unwillingness to go long distances for purchasing daily needs. Although convenience and merchandise were the two most important reasons for choosing a store, the choice varied across product categories. Convenience was indicated by consumers as the most important reason in the choice of groceries and fruit outlets, chemists and life style items while merchandise was indicated as the most important in durables, books and apparel. In recent years, there has been a slow spread of retail chains in some formats like super markets, department stores, malls and discount stores. Factors facilitating the spread of chains are the availability of quality products at lower prices, improved shopping standards, convenient shopping and display and blending of shopping with entertainment and the entry to industrial houses like Goenkas and Tatas into retailing. Thailand is one of the countries whose economy has developed rapidly in recent years. There has been a tradition of independently owned outlets called shop houses. These outlets are run by families, with the shop located on the ground floor and the family's living quarters on upper floors. Thailand's first departmental store opened in 1956 and the first shopping centre in (1967). Discounts and super stores were introduced in 1989. However, the presence of super market format has been low due to ingrained habit of buying fresh produce. Speciality stores were just emerging in Thailand in mid 1990s. Another country where the development of the retail sector has also followed an interesting path is Brazil. The concept of self service in shopping was introduced to Brazil in 1953 but until 1972, there was no foreign influence in the Brazilian retail sector. Food retailing especially, contained to be Brazilian owned and managed although international innovations

were adopted. The number of intermediaries in marketing channels is decreasing as the operation of wholesalers is under threat from the direct contact between retailers and suppliers, although few specialised distributors have emerged who provide value added services such as distribution of frozen and chilled food.

1.5   CHARACTERISTICS OF RETAILING

Retailing is different from other forms of business in the following ways:

(i)   It offers direct interaction with customers

(ii)   Sale volume is comparatively large in quantities but less in monetary value as compared to exporting/manufacturing.

(iii)   Customer service plays a vital role in the success of retail business.

(iv)   Sales promotions are offered at this point only.

(v)   In almost all countries, retail outlets are more than any other form of business.

(vi)   Location and layout are critical factors in retail business.

(vii)   It offers employment opportunity to all age groups irrespective of age and gender, qualification or religion etc.

1.6   NATURE AND SCOPE OF RETAILING

Distribution management is the essence of providing place, time, form and possession utilities to consumers. Retailing takes care of a major part of this task. It is retailing that actually delivers these utilities to the consumers. It is, on the quality of retailing that the efficiency of this delivery depends.

How does Retailing differ from Wholesaling ?

It is obvious that retailing differs from wholesaling. Actually, two main characteristics distinguish retailing from wholesaling. First, unlike wholesaling, retailing is aimed at the actual or ultimate consumer. Second, unlike wholesaling, retailing involves selling for personal consumption. A wholesaler does not sell to the ultimate consumers; or for the personal consumption of the buyer. Those who buy from a wholesaler are either retailers or institutional

buyers; and neither buys for personal consumption; instead, they do so for their business — the retailers for reselling and the institutional buyers for the consumption of their institutions.

Margin and turnover: Two key parameters of retailing.

Success in retail operations is governed largely by two parameters: margin and turnover. To be successful, a retailing operation must be strong in at least one of these parameters. Different positions on the margin turnover grid correspond to different levels of success. How far a retail enterprise can reach in margin and turnover depends basically on the type of the business (product lines) and the style and size of the operations. Of course, as regards turnover, how far it can reach may additionally depend on the competence of the enterprise. Put in different words, whether a retail enterprise will be a low margin one, or a high margin one, or a low turnover one, or a high turnover one, depends in a basic sense on the nature of the products / items handled. At the same time, it is also a matter of choice / strategy of the enterprise.

In a given business, two retail enterprises may opt for two different margin levels. Interestingly, both can succeed here, provided the strategy and management style are appropriate. Retail enterprises select their profit target and choose a relevant margin-turnover position that would help achieve the profit target.

Retail Strategy :

Using margin and turnover as the two parameters, Ronald Gist has provided an easy to follow conceptual framework of retail structure which can be used in understanding retail structure and in formulating retail strategy. Margin is defined as the percentage mark-up at which the inventory in the store is sold and turnover is defined as the number of times the average inventory is sold in a year.

The position of any retailing operation will fall in one or the other of the four parameters a low position on both margin and turn over; a high margin but low turnover position , low margin and high turnover and high margin high turnover.

1.7 IMPORTANCE OF RETAILING

Retailing has a tremendous impact on the economy. It involves high annual sales and employment. As a major source of employment retailing offers a wide range of career opportunities including; store management, merchandising and owning a retail business.

Consumers benefit from retailing is that, retailers perform marketing functions that makes it possible for customers to have access to a broad variety of products and services. Retailing also helps to create place, time and possession utilities. A retailer's service also helps to enhance a product's image.

Retailers participate in the sorting process by collecting an assortment of goods and services from a wide variety of suppliers and offering them for sale. The width and depth of assortment depend upon the individual retailer's strategy.

They provide information to consumers through advertising, displays and signs and sales personnel. Marketing research support is given to other channels and members.

They store merchandise, mark prices on it, place items on the selling floor and otherwise handle products; usually they pay suppliers for items before selling them to final customers. They complete transactions by using appropriate locations, and timings, credit policies, and other services e.g. delivery.

Retailing in a way, is the final stage in marketing channels for consumer products. Retailers provide the vital link between producers and ultimate consumers.

Retailers create value in below ways

Fig. 1.1

Providing Assortments

Supermarkets typically carry 20,000 to 30,000 different items made by more than 500 companies. Offering an assortment enables their customers to choose from a wide selection of products, brands, sizes, and prices at one location. Manufacturers specialize in producing specific types of products. If each of these manufacturers had its own stores that sold only its own products, consumers would have to go to many different stores to buy

Breaking Bulk

To reduce transportation costs, manufacturers and wholesalers typically ship cases of frozen dinners or cartons of blouses to retailers. Retailers then offer the products in smaller quantities tailored to individual consumers' and households' consumption patterns—an activity called **breaking bulk**. Breaking bulk is important to both manufacturers and consumers. It enables manufacturers to efficiently make and ship merchandise in larger quantities and enables consumers to purchase merchandise in smaller, more useful quantities

Holding Inventory

A major value-providing activity performed by retailers is holding inventory so that the products will be available when consumers want them. Thus, consumers can keep a smaller inventory of products at home because they know local retailers will have the products available when they need more. This activity is particularly important to consumers with limited storage space.

Providing Services

Retailers provide services that make it easier for customers to buy and use products. For example, retailers offer credit so that consumers can have a product now and pay for it later. They display products so that consumers can see and test them before buying. Some retailers employ sales people in stores or maintain sales persons websites to answer questions and provide additional information about products.

Some Other Importance of Retailing

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

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

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

    Now-a-days, retailing is characterized by large multiple chains rather than small scale independent retailers. The formalization and growing importance of retailing has made it powerful in the distribution channel. Now, retailers are compared with manufacturers which indicates the growing dominance of retailers within the supply chain.

    Besides, the annual turnovers achieved by the retailers can be compared with the largest companies in other service industries

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

5. **Retailing is acknowledged as a subject area in its own right**: Potter has described the academic study of retailing as the "*Cinderella of the social sciences*". Retailing is an accepted area of academic debate, such as marketing

and management, developed fully as an area of study. University research centres focus on retailing and professional appointments in retailing have been made. Academic journals focusing on retailing are being published worldwide.

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

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

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

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

    The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an important connecting link in a complex mechanism of marketing. Though producers may sell directly to consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist

in the line. Therefore, frequently the manufacturers depend on the retailers to sell their products to the ultimate consumers. The retailer, who is able to provide appropriate amenities without an excessive advance in prices of goods is rewarded by larger or more loyal patronage.

1.8   ECONOMIC JUSTIFICATION FOR RETAILING

All middlemen basically serve as purchasing agents for their customers and as sales specialists for their suppliers. To carry out those roles, retailers perform many activities, including anticipating customer's wants, developing assortments of products, acquiring market information and financing. It is relatively easy to become a retailer. No large investment in production equipment is required, merchandise can often be purchased on credit and store space can be leased with no 'down payment' or a simple website can be set up at relatively little cost. Considering these factors, perhaps it's not surprising that there are just over a 6 million retail outlets operating across the Indian cities from north to south and from east to west. This large number of outlets, many of which are trying to serve and satisfy the same market segments, results in fierce competition and better values for shoppers. To enter retailing is easy; to fail is even easier! To survive in retailing, a firm must do a satisfactory job in its primary role - catering to consumers. Rama Subramaniam the former head - retail segment Spensors described a successful retailer as a "merchant who sells goods that won't come back to customers who will". Of course, a retail firm also must fulfill its other role - serving producers and wholesalers. This dual role is both the justification for retailing and the key to success in retailing.

GENERAL SERVICES

The general services which a retailer provides are :

1.   The retailer anticipates the wants of the consumers and then supplies them the right kind of goods at reasonable price. His job is to make the consumers buying as easy and convenient as possible i.e. he acts as a consumers' agent.

2.   He performs the service of bulk-breaking i.e. dividing large quantities into small units, such as individual cans, bottles, boxes, wrappers, packages, appropriate for consumer use.

3. He offers a large assortment of merchandise, of suitable size, colour, design, style and seasonal items-ranging from domestic utensils, household requisites to speciality goods.

4. He creates time and place utility by storing the products in off season and by transporting these goods to the places where they can be readily available as and when needed by the consumer.

5. He also assumes risks by guaranteeing the goods he sells to the consumer.

6. He also offers free delivery of goods, credit on open accounts, free alteration, liberal exchange facilities, instructions in the use of goods, revolving credit plans, and long term instalment programmes.

7. He adds to the convenience and ease of consumer purchasing by offering convenient shopping locations, market informations and other services such as free parking privileges, lessons on product use and a multitude of other facilities may be offered and found sufficiently desired to result in increased patronage.

8. He helps the producers in distributing their products by using advertisement display and personal selling.

9. The level of retail sales is one of the most useful barometers of the nations economic health. For example when sales of cycles pick-up, sales of steel and components also increase, as does employment and thus increasing purchasing power. But when sales go down, manufacturers cut back production, unemployment increases and retail sales also goes down.

FACILITATING SERVICES :

In order to carry out functions involving transfer of ownership and physical supply effectively retailers perform a number of facilitating functions i.e. functions relating to standardisation and grading, financing, risk-taking and market information. A retailer of fresh fruits and vegetables has to standardise and grade these to make these acceptable to customers. They establish standards, inspect goods they receive, and sort them in various classifications. Quite often they purchase in large quantities and then divide them and

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

1.9   THE RETAILING ENVIRONMENT

We are by now aware that excellent companies take an outside - inside view of their business. These companies monitor the changing environment continuously adapt their businesses to their best opportunities. The retail environment, in particular, in constantly spinning out new opportunities, in bad as well as in good years. The general marketing environment also spins out new threats-such as an energy crisis, a sharp rise in interest rates, a deep recession-and firms find their markets collapsing. Retail marketers need to continuously monitor the changing scene. They must use their intelligence and marketing research to track the changing environment. By erecting early warning systems, retailers will be able to revise marketing strategies in time to meet new challenges and opportunities in the environment. A retail marketing environment consists of the external actors and forces that affect the retailers ability to develop and maintain successful transactions and relationships with its target customers. We can distinguish between the retailers' micro environment and macro environment. The micro environment consists of the actors in the retailer's immediate achievement that affect its ability to serve its markets: Suppliers, intermediaries, customers, competitors and publics. The macro environment consists of legal, social, economic and technological forces.

1.10   FORCES IN THE RETAILERS MACRO ENVIRONMENT

Various elements such as demographic, legal, social, economic and technological variables affect an organisation and its marketing efforts. It is now recognized by all that even a well concerned marketing plan may fail if adversely influenced by uncontrollable factors (demographic, legal etc.). Therefore the external macro environment must be continually monitored and its effects incorporated into Retailer's marketing plans.

DEMOGRAPHIC FORCES

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

POLITICAL / LEGAL FORCES

Retail marketing decisions are substantially impacted by developments in the political / legal environment. This environment is composed of laws, government agencies and pressure groups that influence and constrain various organisations and individuals in society. Legislation affecting retail business has steadily increased over the years. The legislation has a number of purposes. The first is to protect from each others. So laws are passed to prevent unfair competition. The second purpose of Government regulation is to protect consumers from unfair retail practices. Some firms, if left alone, would adulterate their products, tell lies in their advertising, deceive through their packages and bait through their prices. Unfair consumer practices have been defined and are enforced by various agencies. The third purpose of Government Regulation is to protect the larger interest of

society against unbridled business behaviour. The retail marketing executive needs a good working knowledge of the major laws protecting competition consumers and the larger interests of society.

SOCIAL/ CULTURAL FORCES

In recent years, the concept of social responsibility has entered into the marketing literature as an alternative to the marketing concept. The implication of socially responsible marketing is that retail firms should take the lead in eliminating socially harmful products such as cigarettes and other harmful drugs etc. There are innumerable pressure groups such as consumer activists, social workers, mass media, professional groups and others who impose restrictions on marketing process and its impact may be felt by retailers in doing their business. The society that people grow up in shapes their basic beliefs, values and norms. People live in different parts of the country may have different cultural values - which has to be analysed by retail business people/firm. This will help them to reorient their strategy to fulfill the demands of their consumers. Retail marketers have a keen interest in anticipating cultural shifts in order to spot new marketing opportunities and threats. Several firms such as ORG, MARG etc. offer social / cultural forecasts in this connection. For example, marketers of foods, exercise equipment and so on will want to cater to this trend with appropriate products and communication appeals.

ECONOMIC FORCES

Retail markets consist of purchasing power as well as people. Total purchasing power is a function of current income, prices, savings and credit availability. Marketers should be cognizant of major trends in the economic environment. The changes in economic conditions can have destructive impacts on business plans of a firm. Economic forecasters looking ahead through the next decade are likely to find their predictions clouded by the recurrent themes of shortages, rising costs and up and down business cycles. These changes in economic conditions provide marketers with new challenges and threats. How effectively these challenges could be converted into opportunities depend on well-thought-out marketing programmes and strategies. Further, no economy is free from the tendency of variation between boom and depression, whether it is a free economy or controlled economy. In any event, economic swings affect marketing activity, because they affect purchasing power. Retail marketing firms are susceptible to economic conditions, both

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

TECHNOLOGICAL FORCES

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

1.   Packing of the products

2.   Printing the name of the shop on the product visibly

3.   Modern refrigerators where merchandise can be used for a long time and

4.   Billing.

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

1.11   FACTORS IN THE RETAILER'S MICRO ENVIRONMENT

Every retailers' primary goal is to profitably serve and satisfy specific needs of chosen target markets. To carry out this task, the retailer links himself with a set of suppliers and a set of intermediaries to reach its target customers. The suppliers / intermediaries / customers chain comprise the core marketing system of the retailer. We will now look at the forces which alter / affect the retailers micro environment.

SUPPLIERS

Suppliers are business firms and individuals who provide resources needed by the retailer. For example a retail store must obtain various products from different suppliers so that as and when customers come and ask the products, he will be in a position to sell them on time. Developments in the 'suppliers' environment can have a substantial impact on the retailer's marketing operations. Retail managers need to watch price trends of their key inputs. They are equally concerned with supply availability. Supply shortages and other events can prevent fulfilling delivery promises and lose sales in the short run and damage customer goodwill in the long run. Many shops prefer to buy from multiple sources to avoid depending on any one supplier who might raise prices arbitrarily or limit supply. Retail purchasing agents try to build long-term trusting relationships with key suppliers. In times of shortage, these agents find that they have to 'market' their shop to suppliers in order to get preferential supplies.

INTERMEDIARIES

Intermediaries are firms that aid the retail shop in promoting selling and distributing its goods to final buyers. Large business organizations might hire agents to find retailers in various South Indian cities and pay commission to these agents based on their success. The agents do not buy the merchandise - they direct retailers to buy and sell ultimately to the consumers. Physical distribution firms assist the retailer in stocking and moving goods from their original locations to their destinations. Warehousing firms store and protect goods before they moVe to the next destination. Every retailer has to decide how much storage space to build for itself and how much storage space allotted for different merchandise. Marketing service agencies-marketing research firms, advertising agencies, media firms and marketing consulting firms - assist the retailer in targeting and promoting its products to the right markets.

The retailer has to review the products sold periodically and must consider replacing those that no longer have demand in the market as expected. Financial intermediaries include banks, credit companies, insurance companies and other companies that help finance firm and / or insure risk associated with the buying and selling goods. Most retailers and customers depend on financial intermediaries to finance their transactions.

CUSTOMERS :

A retailer links himself with suppliers and middlemen, so that he can efficiently supply appropriate products and services to its target market. Its target market may be individuals and households that buy goods and services for personal consumption.

COMPETITIRORS:

A retailer rarely stands alone in its effort to serve a given customer market. His efforts to build an efficient marketing system to serve the market are matched by similar efforts on the part of others. The retailer's marketing system is surrounded and affected by a host of competitors. These competitors have to be identified, monitored and outmaneuvered to capture and maintain customer loyalty. A basic observation about the task of competing effectively can now be summarised. A retailer must keep four basic dimensions in mind, which can be called Four C's of market positioning. He must consider the nature of the customers, channels, competition and his own characteristics as an organisation. Successful retailing is a matter of achieving an effective alignment of the organisation with customers, channels, and competitors.

1.12   THE DEVELOPMENT OF RETAIL INSTITUTION

The retailing formats can be classifed into the following types as shown as below diagram.
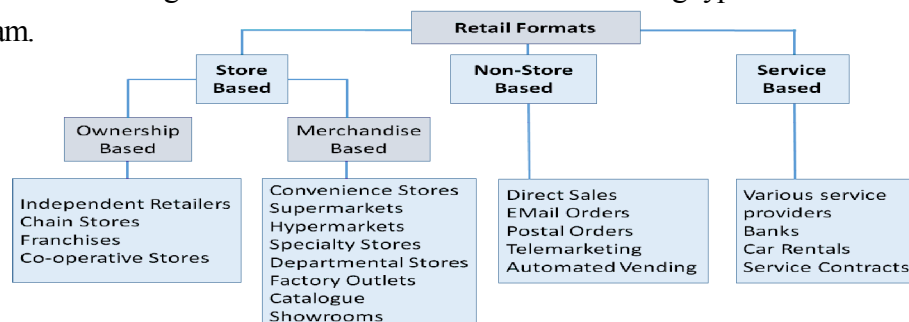
Fig. 1.2 : Retailing Forms

Ownership Based Retailing

Let us see these retailers in detail:

1. **Independent Retailers:** They own and run a single shop, and determine their policies independently. Their family members can help in business and the ownership of the unit can be passed from one generation to next. The biggest advantage is they can build personal rapport with consumers very easily.

   For example, stand-alone grocery shops, florists, stationery shops, book shops, etc.

2. **Chain Stores:** When multiple outlets are under common ownership it is called chain stores. Chain stores offer and keep similar merchandise. They are spread over cities and regions. The advantage is, the stores can keep selected merchandise according to the consumers' preferences in a particular area. For example, Westside Stores, Shopper's Stop, etc.

3. **Franchises:** These are stores that run business under an established brand name or a particular format by an agreement between franchiser and a franchisee. They can be of two types:

   • Business format. For example, Pizza Hut.

   • Product format. For example, Ice cream parlors of Amul.

4. **Consumers Co-Operative Stores:** These are businesses owned and run by consumers with the aim of providing essentials at reasonable cost as compared to market rates. They have to be contemporary with the current business and political policies to keep the business healthy.For example, Sahakar Bhandar from India, Puget Consumers Food Co-Operative from north US, Dublin Food Co-Operative from Ireland.

MERCHANDISE BASED RETAILING

Let us see these in detail :

1. **Convenience Stores:** They are small stores generally located near residential premises, and are kept open till late night or 24x7. These stores offer basic

essentials such as food, eggs, milk, toiletries, and groceries. They target consumers who want to make quick and easy purchases. For example, mom-and-pop stores, stores located near petrol pumps, 7-Eleven from US, etc.

2. **Supermarkets:** These are large stores with high volume and low profit margin. They target mass consumer and their selling area ranges from 8000 sq.ft. to 10,000 sq.ft. They offer fresh as well as preserved food items, toiletries, groceries and basic household items. Here, at least 70% selling space is reserved for food and grocery products. For example, Food Bazar and Tesco.

3. **Hypermarkets:** These are one-stop shopping retail stores with at least 3000 sq.ft. selling space, out of which 35% space is dedicated towards non-grocery products. They target consumers over large area, and often share space with restaurants and coffee shops. The hypermarket can spread over the space of 80,000 sq.ft. to 250,000 sq.ft. They offer exercise equipment, cycles, CD/DVDs, Books, Electronics equipment, etc.

   For example, Big Bazar from India, Walmart from US.

4. **Specialty Stores:** These retail stores offer a particular kind of merchandise such as home furnishing, domestic electronic appliances, computers and related products, etc. They also offer high level service and product information to consumers. They occupy at least 8000 sq.ft. selling space. For example, Gautier Furniture and Croma from India, High & Mighty from UK.

5. **Departmental Stores:** It is a multi-level, multi-product retail store spread across average size of 20,000 sq.ft. to 50,000 sq.ft. It offers selling space in the range of 10% to 70% for food, clothing, and household items.

   For example, The Bombay Store, Ebony, Meena Bazar from India, Marks & Spencer from UK.

6. **Factory Outlets:** These are retail stores which sell items that are produced in excess quantity at discounted price. These outlets are located in the close proximity of manufacturing units or in association with other factory outlets.

   For example, Nike, Bombay Dyeing factory outlets.

7. **Catalogue Showrooms:** These retail outlets keep catalogues of the products for the consumers to refer. The consumer needs to select the product, write its product code and handover it to the clerk who then manages to provide the selected product from the company's warehouse.

   For example, Argos from UK. India's retail Hyper City has joined hands with Argos to provide a catalogue of over 4000 best quality products in the categories of computers, home furnishing, electronics, cookware, fitness, etc.

NON-STORE BASED (DIRECT) RETAILING

It is the form of retailing where the retailer is in direct contact with the consumer at the workplace or at home. The consumer becomes aware of the product via email or phone call from the retailer, or through an ad on the television, or Internet. The seller hosts a party for interacting with people. Then introduces and demonstrates the products, their utility, and benefits. Buying and selling happens at the same place. The consumer itself is a distributor. For example, Amway and Herbalife multi-level marketing.

Non-Store based retailing includes non-personal contact based retailing such as:

1. **Mail Orders/Postal Orders/E-Shopping:** The consumer can refer a product catalogue on internet and place order for purchasing the product via email/post.

2. **Telemarketing:** The products are advertised on the television. The price, warranty, return policies, buying schemes, contact number etc. are described at the end of the Ad. The consumers can place order by calling the retailer's number. The retailer then delivers the product at the consumer's doorstep. For example, Asian Skyshop.

3. **Automated Vending/Kiosks:** It is most convenient to the consumers and offers frequently purchased items round the clock, such as drinks, candies, chips, newspapers, etc. The success of non-store based retailing hugely lies in timely delivery of appropriate product.

SERVICE BASED RETAILING

These retailers provide various services to the end consumer. The services include banking, car rentals, electricity, and cooking gas container delivery.

The success of service based retailer lies in service quality, customization, differentiation and timeliness of service, technological upgradation, and consumer-oriented pricing.

1.13   TRENDS IN THE INDIAN RETAIL INDUSTRY

We will discuss the present scenario of Indian Retail Industry, skills needed for organized retailing, overview of Indian retail sector, modernization in Indian Retailing and factors underlying modernization in retailing. Retailing in India has traditionally been fragmented, while in the western countries, big retailers usually dominate the landscape. In recent times, India has seen the emergence of several organized retailing formats, from departmental stores like Shopper's Stop to discount stores like Big Bazaar. We also have niche (exclusive) stores like Music World, Coffee Day and Planet M and Grocery Stores like Spencer's, subiksha etc.,

SKILLS NEEDED FOR ORGANIZED RETAILING

The skills needed for organized retailing encompass many activities, like deciding on stock levels, the product mix, brand mix and human relations, customer and employee management skills dealing with regulatory authorities and cost control. Merchandising and supply chain management, in addition to customer service is how we could summarise the range of activities performed at an average retails store. As the retailing scenario evolves in India we will see many changes in the types of retail stores their sizes and competitive strategies. For example, the major retail chains in India are upmarket and the concept of discount stores is just catching on. Also, the food stores seem to be the major growth area, followed by garment -based retailing.

OVER VIEW / RECENT TRENDS IN THE INDIAN RETAIL SECTOR

Indian retailing is undergoing a process of evolution and is poised to undergo dramatic transformation. The traditional formats like hawkers, grocers and paan shops co-exit with modern formats like Super- markets and Non-store retailing channels such as multi level marketing and teleshopping. Modern stores tend to be large, carry more stock keeping units, have a self-service format and an experiential ambience. The modernization in retail formats is likely to happen quicker in categories like dry groceries, electronics,

mens' apparel and books. Some reshaping and adaptation may also happen in fresh groceries, fast food and personal care products.

In recent years there has been a slow spread of retail chains in some formats like super markets, malls and discount stores. Factors facilitating the spread of chains are the availability of quality products at lower prices, improved shopping standards, convenient shopping and display and blending of shopping with entertainment and the entry of Tatas into retailing. Foreign direct investment in the retail sector in India, although not yet permitted by the Government is desirable, as it would improve productivity and increase competitiveness. New stores will introduce efficiency. The customers would also gain as prices in the new stores tend to be lover. The consequences of recent modernization in India may be some what different due to lower purchasing power and the new stores may cater to only branded products aimed at upper income segments.

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

FACTORS UNDERLYING TRENDS OF MODERN RETAIL IN INDIA

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

i)   Economic development

ii)   Improvements in civic situation

iii)   Changes in government polices

iv)   Changes in consumer needs, attitudes and behavior

v)   Increased investment in retailing

vi)   Rise in power of organized retail.

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

In Indian retailing, convenience and merchandise appear to be the most important factors influencing store choice, although ambience and service are also becoming important in some contexts. Store ambience includes such as lighting, cleanliness, store layout and space for movement.

The government of India has clarified on a number of occasions that foreign derived investment will not be permitted in India in the retailing sector. Major international retailer organizations are waiting for signals of policy change especially in the wake of Chinese permission for foreign investment in its retail. In opening up the retail sector, the government may consider various approaches such as insisting a joint ventures, limiting the foreign stake, or specifying the cities where investment is permitted.Although FDI is not yet permitted in retailing, a number of global retailers are testing the waters by signing technical agreements and franchises with Indian firms. Fast food chains like McDonald's and Pizza Hut are already operating in the metres. A Marks and Spencer Store is already operational in Mumbai. Recent trends show that industrial groups such as Reliance and Raymonds have been active in encouraging development of well appointed exclusive showrooms for their textile brands. Industrial houses like Rahejas, Tatas have entered retailing. Several Indian and foreign brands have used franchising to establish exclusive outlet for their brands

1.14   DYNAMICS OF INSTITUTIONAL CHANGE

The increasing importance of retial is reflected by its high contribution to GDP which indicates that a very significant proportion of the economy is linked to retailing due

to which public policies tends to recognise its importance as a driving force and aims to promote its sustained growth.

I.   Retailing is going International :

In these days all big retailers have started looking for international markets for their further business. Due to geo-political development joint-ventures, acquisition and trade pacts is faciliating movement of goods and services across the boundries of the countries.

Malaysia, Australia, U.S.A. and U.K. are the most attractive destination to invest in retail store. Whereas Russia and China have been attracting global players by their fast growth and ease of setting up retail business. For example "Target and Dollar Stores (U.S. based) are growing their geographical boundries in a very rapid and aggressive manner.

II.   Retailers are becoming Value Driven :

In these days shopability of Retailers has increased, throughout the world the concept of convenient store, with latest layout, "Malls", "Hyperstore" and "Speciality store" have made the shoping a good experience. Buying has become quick and easy. Value retailers like 'Wal-Mart, Costco and Target" have been providing value addition and comfortable shopping.

"Timberland" as a part of its corporate social responsibility provides Nutritional label for all shoes which aims to provide consumer information about the product they are purchasing, including where it was manufactured purchasing, including where it was manufactured, how it was produced and its effect on the environment.

Amazon Kindle, and Waterstone the most famous bookseller has opened their stores that features graphics rather than words to guide shopper around the world.

III.   Designing of their Private Brands :

There is another latest trend where retailers are developing their own personal/ private brands for increasing their margins and sales instead of only selling well established National Brands which cost very high as compared to their own private brands. Retail firms believe that these private brands are a cheap and Nasty substitutes for other costly national brands. Copycat private brands is a strong stratey for retailers. In these days Wal-Mart is concentrating on wider range of private labels to create a "house of brands".

In India Nestle is popularizing the Coffee Kiosk concept in India where it is offering different flavours through its vending machines installed at public places. Likewise Cadbury India with tie-ups with telecommunication companies like "E-Cuba India and BPL Mobile" has launched chocolate vending machines.

A Case Study on Retailers in Global Markets

The largest 250 retailers in the world, combined, sell in 135 different countries, Selling in foreign markets is becoming as increasingly important part of retailers' growth strategies. For example, approximately 50 percent of U.K. based retailers Tesco's square footpage is now overseas. However, one of the most challenging issues for retailers as they expand globally is the widely divergent underlying factors influencing profits.

As on might imagine, one of the greatest factors affecting profits is a retailer's ability to achieve their desired markup (selling price-cost). Thus, setting an effective selling price is critical. This necessitates taking into account local competition, the retailer's global price positioning, exchange rates, inflation rates, additional supply chain costs, and differences in local taxes. However, even when retailers are able to obtain their desired selling price, underlying profits may diminish.

One European retailers who was able to achieve its desired selling price with its European operations found compared to its worldwide operations, it European operations achieved significantly lower profits. Why? Labor and land costs are significantly higher in Europe.

Labour and land costs are extremely critical factors influencing a retailer's profits in their international operations. First, let's take a look at how labor costs will influence profits. Labor is typically the largest operating expense for retailers. In the United States many retailers employ a large number of either unskilled or semi-skilled laborers at low wages. In other countries, such as France, labor can be be even more significant cost for the retailer due to unionisation and wages which are often two to three times those in the United States.

The significant difference in underlying labor cost requires a retailer to adjust their overall retail mix. While simply raising prices would seem to be one way to offset these higher labour costs, increased local prices could change the retailer's positioning in the market. Toys "R" Us realized that in order to maintain its price positioning and achieve its desired level of profits in France it was necessary to reduce its labor force by one-third.

Second, the availability and resulting cost of real estate differs drastically from country to country. For years Tokyo has maintained the world's highest property values. Therefore, global retailers, such as the U.K.'s. They Body Shop, need to make critical decisions regarding underlying cost adjustments to maintain pricing consistency. For example, how should The Body Shop adjust its overall retail mix when rents in Tokyo are ten times as high as in other markets? Some might argue that the retailer could just pass the higher costs on to its customers since all retailers in the local market have similar real estate costs.

It would, therefore, maintain its price positioning relative to local competition. Ignoring the obvious global price positioning inconsistency this would create, there is another concern. While significant local price adjustments might have been effective 20 years ago, in today's age of print catalogs and e-tailing, a one-price pricing policy would surely cannibalise the local brick-and-mortar retailer. For instance, if The Body Shop were to increase their local prices in Tokyo significantly, many Japanese customers would simply

purchase their product from the Bodys Shop's print catalog, thus further lowering the Tokyo store's profits.

While global retailers strive to maintain consistency, they must also be sensitive to local tastes, habits, customs, and demographic differences between markets. An error in any of these areas can damage a retailer's bottom line.

As you can imagine, pricing for a global retailer is fraught with challenges. To be successful on a global basis the retailer must balance global corporate profits while : (a) adjusting to local competitive pricing pressures, (b) maintaining a consistent global image and retail position in the face of widely diverse markets, and (c) managing underlying costs that can often be quite higher than normal.

Source : This study was prepared by Prof. Mark Fish, Marketing Department Ohio University.

IV.   Change of Retail Formats :

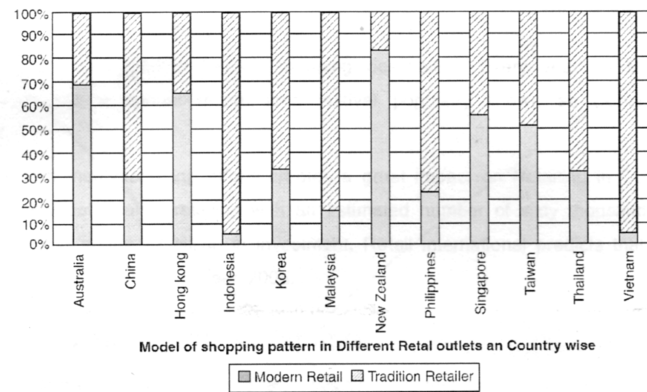Retail formats are changing very rapidly due to high competition and entry of world's largest companies. Emerging and latest new retailing format is concentrating only *Shopping under-one roof and one-shop-location* shopping.

Source : Courtsey Advertiser

The old traditional cooperatives and basic department stores of the 20th century has made entry to bigh retailers like '*Wal-Mart', Warehouse Clubs* like 'Carefour', of

Marko, Sam's Club and Hypermarkets, Convenience Store like 7-Eleven and U.K's *'Tesco' Groups. Walgreen* is a leading pharmacy chain, providing mail service and also operates *worksite* Health centres and Home care facilities.

Model of shopping pattern in Different Retal outlets an Country wise

▣ Modern Retail □ Tradition Retailer

Source : www.kmg.dc–Trends in Retailing.

V.   Consolidation in Retailing Business :

In the present 21st century there is substantial consolidation and re-structuring of retailing specially in European countries. There is not corporate restructing but it has lead to involving new forms of relationship with Manufactures, vendors and wholesaler.

For example *"Best-Buy"* - a largest retailer of Consumer Electronics in the United States and Canada accounting for 21% of the market has re-structured and have acquired 75% stake in *"Jiangsu Five Star Appliance"* which is China's third largest consumer electronic retailer.

VI.   Enchancing Retail Services :

Customer expect many extra services and facilities from big latest retails outlet. In U.K their *"Best Buy Retailers"* are providing repair support and installation services through their *Geek Squard.*

"Pet Smart" is a U.S and Canada based retail chain engaged in the sale of speciality in "Pet suppliers" and is providing regular services such as grooming and dog-training and cat hoarding facilities and due to their these services there is tremendous jump in retail revenue and also in boosting customer's loyality.

1.15   RETAILING AS A CARRER

Retail industry is one of the fastest evolving industries in Industry. The Indian retail industry is undergone drastic changes with the consumers looking at convenience with multiplicity of choices under one roof. It generates huge employment opportunities. This has changed the face of retailing in India. As the sector is booming in India, a career in retail sector is promising a growth potential for the ambitious youngsters. The candidates are trained in supply chain management, finance management, marketing information, electronic retailing, marketing and business communication, customer relationship etc. With rapidly expanding departmental stores and huge shopping malls, plenty of job opportunities are opening all over India.

Carrer in retail sector can be developed as store manager, retail managers, retail buyers, retail designers, visual merchandisers, merchandise planning and product developers. Several institutes in India including Birla Institute of Management Technology (BIMTECH) in Greater Noida, RPG Institute of Retail Management, Indian Retail School offer various courses associated with retail management. Many multinational companies have come forward in the retailing business. Reliance Group, ITC Retail, Aditya Birla Group, Tata Group's Trent & Westside, Subhiksha, Shoppers Stop, and Future Groups Big Bazaar & Pantaloons, Apparel Chains, Raymond's Arvind Brands, Lifestyle.

International, Spencers etc. are some of the top companies. The boom in retail industry has created many employment opportunities; people from varied skills and talent are required in the industry. These actions are expected to generate 10-15 million jobs over next few years. As a career, retail management is a dynamic field. Career in retailing is becoming one of the highly sought career options in India.

Some of the carrer options in retailing are :

1.   Sales and related jobs:

Sales are the main aspect of retail industry. It is an important part of store operations. The important duty of the sales staff is to sell the products to the customers. Other than sales, the related job involves, sales associate, cashier for receiving payments by cash, or credit card and operating cash registers etc. the retail staff also discharges duties like

preparing displays, making deposits at cash office, taking inventory etc. Depending upon their working hours. The retail staff should be well equipped with excellent communication skill. In a very short span of time retail revolution has taken place.

2. Store manager:

A store manager is the person ultimately responsible for the day-to-day operations or management of a retail store. All employees working in the store report to the store manager. Store manager is responsible for managing human resource, hiring team, indulging training and development programmes, managing profit and loss of the store, banking, and handling customer complaints.

3. Visual merchandiser:

Visual merchandiser is the activity of promoting the sale of goods. Visual merchandising is an art intended to increase sales. It is a tool to achieve sales target. It is the art of displaying merchandise in such a manner that appeals to the eyes of the customer. Visual merchandiser is responsible for merchandising. Creativity is essential to be a good visual merchandiser. Visual merchandising includes window displays, signs, interior displays etc. A combination of colour and theme plays an important role in visual merchandising.

4. Regional Sales Manager:

A regional sales manager reports to national sales manager. A regional sales manager requires excellent interpersonal and communication skill. A Retail Sales Manager is responsible for the day-to-day operations of a retail store. They also must have computer skills and be patient with both employees and customers. Retail Sales Manager must be able to motivate and organize their employees. A retail sales manager must have obtained a degree in marketig, business or communication. Regional managers are responsible for a group of retail stores. They visit stores to observe performance and to help solve problems. Regional managers report store performance to company headquarters and make important decisions concerning employees.

5. Finance and Accounting:

A retail store requires well run financial department. A financial manager is responsible for keeping the records of accounts of income, paying expenses, maintaining

financial records, cash flow control, banking etc. The financial manager must be efficient enough to handle the risk of debts.

6.   Human resources:

Human resource is one of the most important aspects in retail industry. This aspect focus on recruiting right people for a particular job, because the success fo retail depends upon right sales force. The HR function includes recruitment, selection, training and development programmes, compensation and benefits etc. proper knowledge is require on the part of HR manager to understand qualification and qualities to hire efficient staff. HR function is in dealing with staff grievances and and disciplinary matters.

Fig. 1.3 : HR Functions

7.   Logistic :

The logistics process consists of the process of integration of several aspects such as material handling, warehousing, information, transporation, packaging and inventory. The logistics department is entrusted with the responsibilities of ensuring that the entire process of logistics is maintained and developed in accordance with the goals of the business at an economical cost.

8.   Marketing:

Marketing department includes functions like advertising, sales promotion and public relation. People with specialised knowledge, creativity etc are required. Advertising

managers direct a firm's advertising and promotional compaign. Marketing managers work with advertising and promotion managers to promote the firm's products and

1.16   SUMMARY

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

1.17   GLOSSARY

Retailing: It is an activity of selling goods directly to the public, usually in small quantities.

Economic environment: It refers to all those economic factors, which have a bearing on the functioning of the business. The various factors constitute economic environment are: economic system, economic planning, industry, infrastructure, fiscal and financial sectors etc

Demographic environment: It is a set of demographic factors such as gender, ethnicity. Companies use demographics environments to identify markets for specific products or services.

Political/ legal environment: political environment is the state, government and its institutions and legislations and the public and private stakeholders who operate and interact with or influence the system

1.18   SELF ASSESSMENT QUESTIONS

1.   Explain the term ' Retailing'

2.   On what basis stores may be classified ?

_____

3.   Write a note on product retailing.

_____

1.19   LESSON END EXERCISE

1.   What do you understand by the term service retailing ?

2.   Discuss the classification of non-store retailing.

3.   Discuss in detail how legal and social factors affect retail environment.

4.   What strategies being used to overcome competitions in the retail sector ?

5.   How positioning plays an important role in retail marketing ?

6.   How economic factors affect retail environment ?

1.20   SUGGESTED READINGS

1.   Marketing - Dr. N. Rajan Nari Sanjith R. Navi

2.   Marketing Management - Philip Kotler

3.   Marketing Management - Dr. Ramasamy and S. Namakumari

4.   Marketing Channels - Anderson

5.   Principles and practice of marketing in India - Dr. C. B. Memoria and R. L. Joshi.

6.   Retailing - Lucas and Rlest Bersh

7.   Retail Management - James Reandom

Unit 2	Lesson 4-6

THE RETAIL CONSUMER

STRUCTURE

2.1   INTRODUCTION

Retailers are the final link in the supply chain between manufacturers and consumers. Retailing is important because it allows manufacturers to focus on producing goods without having to be distracted by the enormous amount of effort that it takes to interact with the end-user customers who want to purchase those goods.

Retailers should make the purchase of goods easy for the consumer. That's why retail stores have sales people, why internet shopping websites have customer service instant chat popups, and why catalogs have descriptions, photos, and toll-free phone numbers.

Retailing is about displaying products, describing the features and benefits of products, stocking products, processing payments and doing whatever it takes to get the right products at the right price to the right customers at the right time.

Some retailers offer additional services to the retail transaction like personal shopping consultations, and gift wrapping to add something extra to the retail customer experience and exceed the retail customer experience.

2.2   OBJECTIVES

After studying this unit, you should be able to

•   define the terms needs and goals in the context of consumer behavior.

•   explain need systems, specifically, identify the components of Maslow's need theory, and offer a critique of needs theory.

•   understand other major theories of needs and apply it to the consumer behaviour situations

2.3   THE RETAIL CONSUMER CONCEPT

Retail markets and shops have a very ancient history, dating back to antiquity. Retailing involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Retailers satisfy demand identified through a supply chain. Some of the earliest retailers were itinerant peddlers.

Modern retailers typically make a variety of strategic level decisions including the type of store, the market to be served, the optimal product assortment, customer service, supporting services and the store's overall market positioning. Once the strategic retail plan is in place, retailers devise the retail mix which includes product, price, place, promotion, personnel and presentation. In the digital age, an increasing number of retailers are seeking to reach broader markets by selling through multiple channels, including both bricks and mortar and online retailing. Digital technologies are also changing the way that consumers pay for goods and services. Retailing support services may also include the provision of credit, delivery services, advisory services, stylist services and a range of other supporting services.

The term "retailer" is typically applied where a service provider fills the small orders of a large number of individuals, who are end-users, rather than large orders of a small number of wholesale, corporate or government clientele. Shopping generally refers to the act of buying products. Sometimes this is done to obtain final goods, including necessities such as food and clothing; sometimes it takes place as a recreational activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing: it does not always result in a purchase.

Retail shops occur in a diverse range of types and in many different contexts - from strip shopping centres in residential streets through to large, indoor shopping malls. Shopping streets may restrict traffic to pedestrians only. Sometimes a shopping street has a partial or full roof to create a more comfortable shopping environment – protecting customers from various types of weather conditions such as extreme temperatures, winds or precipitation. Forms of non-shop retailing include online retailing (a type of **electronic-commerce** used for **business-to-consumer** (**B2C**) transactions) and mail order.China has currently the largest retail market in the world.

Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser.

Retail involves the sale of merchandise from a single point of purchase directly to a customer who intends to use that product. The single point of purchase could be a brick-and-mortar retail store, an Internet shopping website, a catalog, or even a mobile phone.

The retail transaction is at the end of the chain.

Manufacturers sell large quantities of products to retailers, and retailers attempt to sell those same quantities of products to consumers.

What is the Difference between Retail and Wholesale ?

Wholesalers sell in large bulk quantities, without worrying about many of the aspects of retailing that consumers expect like visual merchandising.

Wholesalers do not want to deal with a large number of end-user customers. Rather, their goal is to sell large quantities to a small number of retailing companies.

It is rare for a wholesaler to sell goods directly to consumers. The exception to that would be membership warehouse clubs like Costco, Sam's and Bj'sWholesale. These members-only retail stores are a hybrid of wholesaling and retailing in that they sell directly to consumers, but they sell in large quantities, which often allows them to sell at prices that are lower than other retailers that sell in small quantities from impeccably merchandised stores in high-rent shopping districts.

The big difference between wholesale and retail is in the price. The retail price is always more than the wholesale price. The reason for this is because the added cost of selling merchandise to end-user customers - labor, rent, advertising, etc. - is factored into the pricing of the merchandise. The wholesaler doesn't have to deal with such expenses, which allows him to sell goods at a lower cost.

How Does The Retail Supply Chain Work ?

The retail supply chain consists of manufacturers, wholesalers, retailers and the consumer (end user). The wholesaler is directly connected to the manufacturer, while the retailer is connected to the wholesaler, and not to the manufacturer.

Here are the roles of the key players in a typical retail supply chain :

Manufacturers – Produce the goods, using machines, raw materials, and labour

Wholesalers – Purchase finished goods from the manufacturers and sell those goods to retailers in large bulk quantities

Retailers – Sell the goods in small quantities to the end-user at a higher price, theoretically at the MSRP (Manufacturers Suggested Retail Price).

Consumer – End user who buys the goods (or "shops") from the retailer for personal use.

There are exceptions to this traditional supply chain, however. Some of the world's largest retail companies like Walmart, and Amazon.com, are large enough to deal directly with manufacturers, without the need for a wholesaler in the middle of the transaction.

What are Different Types of Retail Stores ?

Here are some examples of the different types of brick-and-mortar retail stores where consumers can purchase products for immediate use or consumption.

Department Stores

Sell a wide range of merchandise that is arranged by category into different sections of the physical retail space. Some department store categories include shoes, clothing, beauty products, jewelry, housewares, etc. Examples of department store retailers include Macy's, Nordstrom, and jcpenney, to name just a few.

Grocery Stores and Supermarkets

Sell all types of food and beverage products, and sometimes also home products, clothing, and consumer electronics as well.

Warehouse Retailers

Large no-frills warehouse-type facilities stocked with a large variety of products packaged in large quantities and sold at lower-than-retail prices

Specialty Retailers

Specialize in a specific category of products. Toys 'R' Us, Victoria's Secret, and Nike are examples of specialty retailers.

Convenience Retailers

Usually part of a retail location which sells gasoline primarily, but also sell a limited range of grocery merchandise and auto care products at a premium "convenience" price from a brick-and-mortar store

Discount Retailer – Sell a wide variety of products are often private labeled or generic brands at below-retail prices, Discount retailers like Family Dollar, Dollar General , and Big Lots will often source closeout and discontinued merchandise at lower-than-wholesale prices and pass the savings onto their customers.

Mobile Retailer - Uses a smartphone platform to process retail transactions and then ships the products that were purchased directly to the customer.

Internet E-tailer –Sell from an Internet shopping website and ship the purchases directly to customers at their homes or workplaces and without all the expenses of a traditional brick-and-mortar retailer, usually sell merchandise for a lower-than-retail price

Customer

In sales, commerce and economics, a customer (sometimes known as a client, buyer, or purchaser) is the recipient of a good, service, product or an idea - obtained from a seller, vendor, or supplier via a financial transaction or exchange for money or some other valuable consideration. An ultimate etymology of "client" may imply someone merely inclined to do business, whereas a purchaser procures goods or services on occasion but a customer customarily or habitually engages in transactions. Such distinctions have no contemporary semantic weight.

2.4   CONSUMER PURCHASE BEHAVIOUR

Consumer Behaviour - Meaning and Important Concepts

Before understanding consumer behaviour let us first go through few more terminologies:

Who is a Consumer ?

Any individual who purchases goods and services from the market for his/her end-use is called a consumer.

In simpler words a consumer is one who consumes goods and services available in the market.

Example - Tom might purchase a tricycle for his son or Mike might buy a shirt for himself. In the above examples, both Tom and Mike are consumers.

What is Consumer Interest ?

Every customer shows inclination towards particular products and services. Consumer interest is nothing but willingness of consumers to purchase products and services as per their taste, need and of course pocket.

Let us go through the following example:

Both Maria and Sandra went to the nearby shopping mall to buy dresses for themselves. The store manager showed them the best dresses available with him. Maria immediately purchased two dresses but Sandra returned home empty handed. The dresses were little too expensive for Sandra and she preferred simple and subtle designs as compared to designer wears available at the store.

In the above example Sandra and Maria had similar requirements but there was a huge difference in their taste, mind set and ability to spend.

What is Consumer Behaviour ?

Consumer Behaviour is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use.

Why do you think an individual buys a product ?

- Need

- Social Status

- Gifting Purpose

Why do you think an individual does not buy a product ?

- No requirement

- Income/Budget/Financial constraints

- Taste

When do you think consumers purchase products ?

- Festive season

- Birthday

- Anniversary

- Marriage or other special occasions

There are infact several factors which influence buying decision of a consumer ranging from psychological, social, economic and so on.

The study of consumer behaviour explains as to:

- Why and why not a consumer buys a product ?

- When a consumer buys a product ?

- How a consumer buys a product ?

During Christmas, the buying tendencies of consumers increase as compared to other months. In the same way during Valentines week, individuals are often seen purchasing gifts for their partners. Fluctuations in the financial markets and recession decrease the buying capacity of individuals.

In a layman's language consumer behaviour deals with the buying behaviour of individuals.

The main catalyst which triggers the buying decision of an individual is need for a particular product/service. Consumers purchase products and services as and when need arises.

According to Belch and Belch, whenever need arises; a consumer searches for several information which would help him in his purchase.

Following are the sources of information :

- Personal Sources

- Commercial Sources

- Public Sources

- Personal Experience

    Perception also plays an important role in influencing the buying decision of consumers.

    Buying decisions of consumers also depend on the following factors:

- Messages, advertisements, promotional materials, a consumer goes through also called **selective exposure.**

- Not all promotional materials and advertisements excite a consumer. A consumer does not pay attention to everything he sees. He is interested in only what he wants to see. Such behaviour is called **selective attention.**

- **Consumer interpretation** refers to how an individual perceives a particular message.

- A consumer would certainly buy something which appeals him the most. He would remember the most relevant and meaningful message also called as **selective retention**. He would obviously not remember something which has nothing to do with his need.

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

Consumer versus Customer

A **consumer** is a user of a product or a service whereas a **customer** is a buyer of the product or service. The customer decides what to buy and executes the deal of purchasing by paying and availing the product or service. The **consumer** uses the product or service for oneself.

For example, the customer of a pet food is not the consumer of the same. Also, if a mother in a supermarket is buying *Nestlé Milo* for her toddler son then she is a customer and her son is a consumer.

Identifying a Customer

It is sometimes difficult to understand who is actually a decision maker while purchasing when a customer enters the shop accompanying someone else. Thus everyone who enters the shop is considered as a customer. Still, it is necessary to identify composition and origin of the customers.

- **Composition of Customers** It includes customers of various gender, age, economic and educational status, religion, nationality, and occupation.

- **Origin of Customer** From where the customer comes to shop, how much the customer travels to reach the shop, and which type of area the customer lives in.

- **Objective of Customer** Shopping or Buying? Shopping is visiting the shops with the intention of looking for new products and may or may not necessarily include buying. Buying means actually purchasing a product. What does the customer's body language depict?

Customer's Buying Behavior Patterns

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

Place of Purchase

Customers divide their place of purchase. Even if all the products they want are available at a shop, they prefer to visit various shops and compare them in terms of prices. When the customers have a choice of which shop to buy from, their loyalty does not remain permanent to a single shop.

Study of customer's place of purchase is important for selection of location, keeping appropriate merchandise, and selecting a distributor in close proximity.

Product Purchased

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

- Availability/Shortage of product

- Requirement/Choice of product

- Perishability of product

- Storage requirements

- Purchasing power of oneself

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

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

Time and Frequency of Purchase

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

- Weather

- Season

- Location of customer

The frequency of purchase mainly depends on the following factors"

- Type of commodity

- Degree of necessity involved

- Lifestyle of customers

- Festivals and customs

- Influence of the person accompanying the customer.

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

Method of Purchase

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

- Is the customer purchasing alone or is accompanied by someone?

- How does the customer pay: by cash or by credit?

- What is the mode of travel for the customer?

Response to Sales Promotion Methods

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

The promotional methods include

- **Displays** Consumer products are packaged and displayed with aesthetics while on display. Shape, size, color, and decoration create appeal.

- **Demonstrations** Consumers are influenced by giving away sample product or by showing how to use the product and its benefits.

- **Special pricing** Unit's special price under some scheme or during festive season, coupons, contests, prizes, etc.

- **Sales talks** It is verbal or printed advertisement conducted by the salesperson in the shop.

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

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

2.5   BUYING PROCESS

The buying decision process is the decision-making process used by consumers regarding market transactions before, during, and after the purchase of a good or service.

It can be seen as a particular form of a cost–benefit analysis in the presence of multiple alternatives.

Common examples include shopping and deciding what to eat. Decision-making is a psychological construct. This means that although a decision can not be "seen", we can infer from observable behaviour that a decision has been made. Therefore, we conclude that a psychological "decision-making" event has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

Nobel laureate Herbert A. Simon sees economic decision-making as a vain attempt to be rational. He claims (in 1947 and 1957) that if a complete analysis is to be done, a decision will be immensely complex. He also says that peoples' information processing ability is limited. The assumption of a perfectly rational economic actor is unrealistic. Consumers are influenced by emotional and non-rational considerations making attempts to be rational only partially successful.

Stages

The stages of the buyer decision process were first introduced by Engel, Blackwell and Kollat in (1968)

- **Problem/Need Recognition** - Recognize what the problem or need is and identify the product or type of product which is required.

- **Information Search** - The consumer researches the product which would satisfy the recognized need.

- **Evaluation of Alternatives** - The consumer evaluates the searched alternatives. Generally, the information search reveals multiple products for the consumer to evaluate and understand which product would be appropriate.

- **Purchase Decision** - After the consumer has evaluated all the options and would be having the intention to buy any product, there could be now only two things which might just change the decision of the consumer of buying the product that is what the other peers of the consumer think of the product and any unforeseen

circumstances. Unforeseen circumstances for example in this case could be financial losses which led to not buying of the product.

▪ **Post Purchase Behavior** - After the purchase the consumer may experience post purchase dissonance feeling that buying another product would have been better. addressing post purchase dissonance spreads good word for the product and increases the chance of frequent repurchase.

These five stages are a framework to evaluate customers' buying decision process. While many consumers pass through these stages in a fixed, linear sequence, some stages such as evaluation of alternatives may occur throughout the purchase decision. The time and effort devoted to each stage depends on a number of factors including the perceived risk and the consumer's motivations. In the case of an impulse purchase, such as the purchase of a chocolate bar as a personal treat, the consumer may spend minimal time engaged in information search and evaluation and proceed directly to the actual purchase.

The Consumer Buying Process

- Problem Recognition
- Information Search
- Evaluation of Alternatives
- Purchase Decision
- Purchase
- Post-Purchase Evalaution
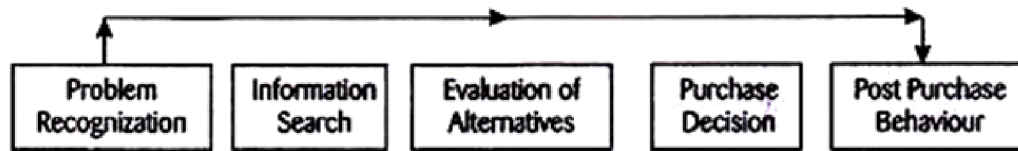
Figure 2.1 : Consumer Buying Process

1. Problem Identification:

This step is also known as recognizing of unmet need. The need is a source or force of buying behaviour. Buying problem arises only when there is unmet need or problem is recognized. Need or problem impels an individual to act or to buy the product. Buyer senses a difference between his actual state (physical and mental) and a desired state. The need can be triggered by internal or external stimuli. Internal stimuli include basic or normal needs – hunger, thirst, sex, or comfort; while external stimuli include external forces, for instance, when an individual watch a new brand car, he desires to buy it.

Marketer must identify the circumstances that trigger a particular need. He can collect information from a number of consumers regarding how stimuli spark an interest in products. Based on information, he can develop marketing strategies to trigger consumer interest.

2. Information Search:

Interested consumer will try to seek information. Now, he will read newspapers and magazines, watch television, visit showroom or dealer, contact salesman, discuss with friends and relatives, and try all the possible sources of information.

i. Personal Sources:

They may include family members, friends, package, colleagues, and relatives.

ii. Commercial Sources:

Advertising, salesmen, dealers, package, trade show, display, and exhibition are dominant commercial sources.

iii. Public Sources:

Mass media (radio, TV, newspapers, magazines, cinema, etc.), consumer- rating agencies, etc., are main public sources.

iv. Experimental Sources:

They include handling, examining, testing, or using the product. Selection of sources depends upon personal characteristics, types of products, and capacity and reliability of sources. Each information source performs different functions in influencing buying decision. By gathering information from relevant sources, the consumer can learn about different products and brands available in the market.

Note that consumer will not collect detail information on all the brands available in the market. He scrutinizes all the brands in sequence, like total (brands) set, to awareness, set, to affordable set, and to choice set. Consumer collects information only on limited brands, say, choice set.

Marketer must try to get his brand into the prospects' awareness set and choice set. Moreover, the company should identify sources and their relative importance. Company must ask the consumers regarding types of sources they exercise. They can elicit valuable information about sources they normally use and their relative value. On that basis, effective communication can be prepared for the target market.

3. Evaluation of Alternatives:

In the former stage, the consumer has collected information about certain brands. Now, he undergoes evaluation of brands. He cannot buy all of them. Normally, he selects the best one, the brand that offers maximum satisfaction. Here, he evaluates competitive brands to judge which one is the best, the most attractive. Evaluation calls for evaluating various alternatives with certain choice criteria.

Following criteria are considered while evaluating alternatives:

i.   Benefits offered by the brands

ii.   Qualities, features or attributes, and performance

iii.   Price changed by various brands

iv.   History of brands

v.   Popularity, image or reputation of brands

vi.   Product-related services offered by the brands, such as after-sales services, warrantee, and free installation

vii.   Availability of brands and dealer rating.

Different criteria are used for different products. For example, if a person wants to purchase a motorbike out of Enfield Bullet 350; TVS Victor, TVS Centra, Suzuki Ferro; Hero Honda Splendor, Ambition, and CBZ; Kawasaki Bajaj Boxer, Pulsar and Caliber; LML Freedom, etc., he will consider following criteria:

i.   Price

ii.   Pick-up and performance

iii.   Facilities and comfort

iv.   Gear-transmission system

v.   Get-up/appearance

vi.   Speed per hour

vii.   Average per liter petrol

viii   Maintenance costs

ix.   Image, status and novelty

x.   Safety

xi.   Resale value

xii.   Services, guarantee, warrantee, etc.

The brand that meets most of the above conditions reasonably is more likely to be preferred. Marketer should highlights superior features of his brand. Some companies also advertise comparative table to help consumers evaluate various brands. For example, Yamaha, Maruti, and Hyundai provide comparative table in newspapers to show how the bike/car is superior to other brands.

4.   **Purchase Decision :**

This is the stage when the consumer prefers one, the most promising band, out of several brands. The former stage helps consumers evaluate various brands in the choice set. The brand that offers maximum benefits or satisfaction is preferred.

Simply, the most attractive brand, that can offer more benefits in relation to price paid, is selected by comparing one brand with others. Comparison shows superiority/ inferiority of the brands.

Now, consumer makes up his mind to purchase the most preferred brand. However, three factors further affect whether buying intension result into actual purchase. More clearly, the consumer' decision to avoid, modify, or postpone a purchase decision is influenced by these factors.

The first factor is attitudes of others. The impact of other persons' attitudes depends on degree of their negative attitudes toward the consumer's preferred brand, and consumer's degree of compliance with other persons' wishes.

The second factor is unanticipated situational factors. Purchase intension may change due to certain unanticipated situational factors like price hike, loss of job, family income, major medical expenses, non-availability of the preferred brand, or such similar factors.

The third and the last factor is consumer's perceived risk. Degree of risk depends on price, attribute uncertainty, entry of a new superior product, and his self-confidence.

Sub-decisions in Purchase Decision:

Consumer's buying decision involves following five sub-decisions:

i.   **Brand Decision :**

For example, CBZ (model) motorbike of Hero Honda.

ii.   **Vender Decision:**

For example, XYZ Hero Honda Showroom.

iii.   **Quantity Decision :**

For example, one motorbike.

iv.   **Timing Decision:**

For example, on 1st December, 2007.

v.   **Payment Decision:**

For example, by cash.

5.   **Post-purchase Decisions:**

Consumer buys the product with certain expectations. Though he decides very systematically, there is no guarantee of a complete satisfaction. There is always possibility of variation between the expected level of satisfaction and the actual satisfaction. His subsequent behaviour is influenced by degree of satisfaction/dissatisfaction.

Marketer must monitor the post-purchase experience of the buyers that includes :

a.   Post-purchase Satisfaction

b.   Post-purchase Action

c.   Post-purchase Use and Disposal

Post-purchase Satisfaction :

Actual satisfaction may not be equal to the expected one. He may find some problems or defects in the product while using. It is the matter of interest for marketer to know whether consumer is highly satisfied, somewhat satisfied, or dissatisfied. Consumer's

satisfaction is the function of the relationship between expected/perceived performance (expectations) and actual performance.

The larger the gap between expectations and performance, the greater the consumer's dissatisfaction will be. The consumer is satisfied when product meets or exceeds all the expectations and vice versa. If he is satisfied, he buys the product again, and talks favourably. In order to minimize the gap between expectations and performance, the seller must not exaggerate the product benefits; must make truthful claim of product's likely performance.

Post-purchase Action:

Obviously, level of the consumer's satisfaction with the product affects his subsequent behaviour/action. If he is satisfied reasonably, he purchases the product again, and talks favourably to family members, friends, relatives, and co-workers.

That is why marketer says: Our best advertisement is a satisfied consumer. Quite opposite to it, dissatisfied consumer responds differently. He may abandon product, complain to the company for compensation, resort to the court and warn other organisations, friends, relatives and co-workers to avoid product. The task of marketer consists of taking certain steps to minimize amount of consumer's post-purchase dissatisfaction.

Dissatisfaction can be reduced by :

1.   Congratulating consumers for the right choice to justify their decision

2.   Sending booklet to guide for effective use of the product

3.   Inviting suggestions from consumers

4.   Managing complaints by effective counseling and after-sales services

5.   Informing about changes made in the product

6.   Exchanging or returning amount, etc.

He must investigate where the product falls short. Close informal relations with consumers can yield valuable information. Remember that a dissatisfied consumer is more

important than a satisfied one as his every problem regarding the product reveals a ready suggestion. Marketer must welcome complaints and tackle them carefully for the bright future.

Post-purchase Use and Disposal:

Marketer should also monitor how the consumers use and dispose of the product. Such information can be a very good guideline for the marketer. Marketer can learn possible problems and opportunities relating with the product.

In normal situation, the consumer uses or disposes the product in followings ways :

1.   He may not use the product immediately; store it for the future use.

2.   Use the product fully immediately after purchase.

3.   Resell or trade it.

4.   Use the product differently than it is meant for. He may find new uses of the product.

5.   Offer the product to others as a gift.

6.   Throw the product away, considering as useless.

Marketer can change or modify marketing programme based on the study of how the product is used and disposed. In case, when consumers are much creative, it is important to investigate how the product is used or disposed.

Thus, buying process is a journey from problem recognition to reaction of buyers. The entire process is very meaningful to the seller. The process reflects most of factors affecting consumers. Marketer, therefore, must study the buying process from consumer's viewpoint. Company must take certain steps to support consumers in each stage to buy its product.

2.6   FACTORS AFFECTING CONSUMER BEHAVIOUR AND DECISION

The consumer behaviour or buyer behaviour is influenced by several factors or forces. They are: 1. Internal or Psychological factors 2. Social factors 3. Cultural factors 4. Economic factors 5. Personal factors!

There are five questions that support any understanding of consumer behaviour.

i)   Who is the market and what is the extent of their power with regard to the organisation ?

ii)   What do they buy ?

iii)   Why do they buy ?

iv)   Who is involved in the buying ?

v)   How do they buy ?

vi)   When do they buy ?

vii)   Where do they buy ?

The answers of these questions provide the understanding of the ways in which buyers are most likely to respond to marketing stimuli. The stimulus-response model of buyer behaviour is shown below.

FIGURE 2.2 : MODEL OF BUYER BEHAVIOUR

Marketing Stimuli

Product
Price
Place
Promotion

Other Stimuli

Political
Economic
Social
Technological

Buyer's Black Box

Buyer's Characteristics

Psychological
Social
Cultural
Economic
Personal

Buyer's Decision process

Problem recognition
Information search
Evaluation of alternatives
Purchase decision
Post-purchase behaviour

Buyer's Decisions

Product and Brand choice
Dealer choice
Purchase timing
Purchase amount

According to this model, stimuli in the form of both the external environment and the elements of the marketing mix enter the buyer's 'black box' and interact with the buyer's characteristics and decision processes to produce a series of outputs in the form of purchase decisions.

The task faced by the marketing planner involves understanding how the black box operates, for which two principal components of the box must be considered; firstly

62

the factors that the individual brings to the buying situation and secondly the decision processes that are used.

1.   Internal or psychological factors :

The buying behaviour of consumers is influenced by a number of internal or psychological factors. The most important ones Motivation and Perception.

a)   Motivation :

A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to drive the person to act. There can be two types of needs:

1.   Biogenic needs :

They arise from physiological states of tension such as thirst, hunger

2.   Psychogenic needs:

They arise from psychological states of tension such as needs for recognition, esteem.

In the words of William J Stanton, "A motive can be defined as a drive or an urge for which an individual seeks satisfaction. It becomes a buying motive when the individual seeks satisfaction through the purchase of something". A motive is an inner urge (or need) that moves a person to take purchase action to satisfy two kinds of wants viz. core wants and secondary wants. Let us take two examples:

TABLE 2.1: Examples of core and secondary want :

Products	Core want	Secondary want
Glasses	Protection to eyes	It should look good
Shoes	Protection to feet	Elegance in style

So, motivation is the force that activates goal-oriented behaviour. Motivation acts as a driving force that impels an individual to take action to satisfy his needs. So it becomes one of the internal factors influencing consumer behaviour.

b)　*Perception :*

Human beings have considerably more than five senses. Apart from the basic five (touch, taste, smell, sight, hearing) there are senses of direction, the sense of balance, a clear knowledge of which way is down, and so forth. Each sense is feeding information to the brain constantly, and the amount of information being collected would seriously overload the system if one took it all in. The brain therefore selects from the environment around the individual and cuts out the extraneous noise.

In effect, the brain makes automatic decisions as to what is relevant and what is not. Even though there may be many things happening around you, you are unaware of most of them; in fact, experiments have shown that some information is filtered out by the optic nerve even before it gets to the brain. People quickly learn to ignore extraneous noises: for example, as a visitor to someone else's home you may be sharply aware of a loudly ticking clock, whereas your host may be entirely used to it, and unaware of it except when making a conscious effort to check that the clock is still running.

Therefore the information entering the brain does not provide a complete view of the world around you. When the individual constructs a world-view, she/he then assembles the remaining information to map what is happening in the outside world. Any gaps (and there will, of course, be plenty of these) will be filled in with imagination and experience. The cognitive map is therefore not a 'photograph'; it is a construct of the imagination. This mapping will be affected by the following factors:

1.　**Subjectivity:**

This is the existing world-view within the individual, and is unique to that individual.

2.　**Categorisation:**

This is the 'pigeonholing' of information, and the pre-judging of events and products. This can happen through a process known as chunking, whereby the individual organises information into chunks of related items. For example, a picture

seen while a particular piece of music is playing might be chunked as one item in the memory, so that sight of the picture evokes the music and vice versa.

3.   Selectivity :

This is the degree to which the brain is selecting from the environment. It is a function of how much is going on around the individual, and also of how selective (concentrated) the individual is on the current task. Selectivity is also subjective: some people are a great deal more selective than others.

4.   Expectation :

These lead individuals to interpret later information in a specific way. For example, look at this series of numbers and letters:

In fact, the number 13 appears in both series, but in the first series it would be interpreted as a B because that is what the brain is being led to expect,

EXAMPLE OF EXPECTATION
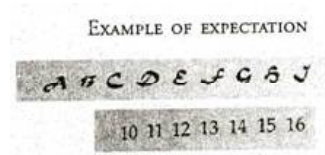
5.   Past experience:

This leads us to interpret later experience in the light of what we already know. Psychologists call this the law of primacy, Sometimes sights, smells or sounds from our past will trigger off inappropriate responses: the smell of bread baking may recall a village bakery from twenty years ago, but in fact the smell could have been artificially generated by an aerosol spray near the supermarket bread counter.

An example of cognitive mapping as applied to perception of product quality might run as follows.

The consumer uses the input selector to select clues and assign values to them. For quality, the cues are typically price, brand name and retailer name. There are strong positive relationships between price and quality in most consumers' perceptions, and brand name and quality; although the retailer name is less significant, it still carries some weight.

65

For example, many consumers would feel confident that Big Bazaar would sell higher-quality items than the local corner shop, but might be less able to distinguish between Food Bazaar and Giant hyper store. The information is subjective in that the consumer will base decisions on the selected information. Each of us selects differently from the environment and each of us has differing views. Information about quality will be pigeonholed, or categorised: the individual may put Scoda Octavia in the same category as Mercedes Benz or perhaps put Sony in the same slot as Aiwa.

2.   Social factors:

Man is a social animal. Hence, our behaviour patterns, likes and dislikes are influenced by the people around us to a great extent. We always seek confirmation from the people around us and seldom do things that are not socially acceptable. The social factors influencing consumer behaviour are a) Family, b) Reference Groups, c) Roles and status.

a)   Family:

There are two types of families in the buyer's life viz. nuclear family and joint family. Nuclear family is that where the family size is small and individuals have higher liberty to take decisions whereas in joint families, the family size is large and group decision-making gets more preference than individual. Family members can strongly influence the buyer behaviour, particularly in the Indian contest. The tastes, likes, dislikes, life styles etc. of the members are rooted in the family buying behaviour.

The family influence on the buying behaviour of a member may be found in two ways

i)   The family influence on the individual personality, characteristics, attitudes and evaluation criteria and

ii)   The influence on the decision-making process involved in the purchase of goods and services. In India, the head of the family may alone or jointly with his wife decides the purchase. So marketers should study the role

and the relative influence of the husband, wife and children in the purchase of goods and services.

An individual normally lives through two families:

Family of orientation:

This is the family in which a person takes birth. The influences of parents and individual's upbringing have a strong effect on the buying habits. For instance, an individual coming from an orthodox Tamil or Gujarati vegetarian family may not consume meat or egg even though they may appreciate its nutritional values.

Family of procreation:

This is the family formed by an individual with his or her spouse and children. Normally, after marriage, an individual's purchasing habits and priorities change under the influence of spouse. As the marriage gets older, the people usually settle in certain roles. For instance, a father normally takes decisions on investment whereas the mother takes decision on health of children.

From a marketing viewpoint, the level of demand for many products is dictated more by the number of households than by the number of families. The relevance of families to marketing is therefore much more about consumer behaviour than about consumer demand levels. In terms of its function as a reference group, the family is distinguished by the following characteristics:

i.   **Face-to-face contact:**

Family members see each other every day and interact as advisers, information providers and sometimes deciders. Other reference groups rarely have this level of contact.

ii.   **Shared consumption:**

Durables such as refrigerators, washing machines, televisions and furniture are shared, and food is collectively purchased and cooked. Purchase of these items is often collective; children even participate in decision making on such major purchases as cars and houses.

iii.   Subordination of individual :

Because consumption is shared, some family members will find that the solution chosen is not one that fully meets their needs.

iv.   Purchasing agent:

Because of the shared consumption, most families will have one member who does most, or all of the shopping. Traditionally, this has been the mother of the family, but increasingly the purchasing agents are the older children of the family and even pre-teens are sometimes taking over this role.

The reason for this is the increase in the number of working mothers who have less time for shopping. This has major implications for marketers, since pre-teens and young teens generally watch more TV than adults and are therefore more open to marketing communications.

Role specialisation is critical in family decision making because of the sheer number of different products that must be bought each year in order to keep the family supplied. What this means in practice is that, for example, the family member responsible for doing the cooking is also likely to take the main responsibility for shopping for food. The family member who does the most driving is likely to make the main decision about the car and its accessories, servicing, fuelling and so forth; the family gardener buys the gardening products, and so on.

Culture has a marked effect on family decision-making styles. Religion and nationality will often affect the way decisions are made. Indian cultures tend to be male dominated in decision-making, whereas European and North American cultures show a more egalitarian pattern of decision-making.

There are two issues here for the marketer: first, what is the effect on the marketing mix of the multiethnic society like in India; and secondly, what is the effect when dealing internationally? This is a somewhat sensitive area and the marketers are still getting to grips with.

Social class creates patterns of decision-making. Among very wealthy families, there appears to be a greater tendency for the husbands to make the decisions, but at the

same time the norms of purchase tend to be well established and therefore discussion is unnecessary.

Lower-class families, with low incomes, tend to be more matriarchal, with the wives often handling the financial decisions about rent, insurance, grocery and food bills without reference to the husbands. Middle-class families tend to show greater democratic involvement in decision-making. These social class distinctions are gradually breaking down, however, as a result of increasing wealth and mass education.

The family may well adopt different roles according to the decision-making stage. At the problem recognition stage of, for example, the need for new shoes for the children, the children themselves may be the main contributors. The mother may then decide what type of shoes should be bought, and the father may be the one who takes the children to buy the shoes. It is reasonable to suppose that the main user of the product might be important in the initial stages, with perhaps joint decision making at the final purchase.

Other determinants might include such factors as whether both parents are earning. The double income families generally take decisions jointly because each has a financial stake in the outcome. Gender role orientation is clearly crucial to decision making. Husbands (and wives) with conservative views about gender roles will tend towards the assumption that most decisions about expenditure will be made by the husband. Even within this type of decision-making system, however, husbands will usually adjust their own views to take account of their wife's attitudes and needs.

The family is a flexible concept, and families go through life cycles. There have been various versions of the family life cycle, but most are based on the original work of Wells and Gubar. Following table shows the stages of the family life cycle.

TABLE 2.2 : Family life cycle

Stage of life cycle	Explanation
Single/Bachelor stage	Single people like student, unemployed youth or professionals at their age tend to have low earnings, but also have low outgoings so have a high discretionary income. They tend to be more fashion and recreation orientated, spending on clothes, music, alcohol, eating out, holidays, leisure pursuits and hobbies. They may buy cars and items for their first residence away from home.
Newly married couples	Newlyweds without children are usually dual-income households (Double Income No Kids commonly known as DINK) and therefore usually well off. They still tend to spend on similar things to the singles, but also have the highest proportion of expenditure on household goods, consumer durables and appliances. Appear to be more susceptible to advertising.
Full nest I	When the first child arrives, one parent usually stops working outside the home, so family income drops sharply. The baby creates new needs, which alter expenditure patterns: furniture and furnishings for the baby, baby food, vitamins, toys, nappies and baby food. Family savings decline, and couples are usually dissatisfied with their financial position.
Full nest II	The youngest child is over 6, so often both parents will work outside the home. The employed spouse's income has risen due to career progression, and the family's total income recovers. Consumption patterns still heavily influenced by children: bicycles, drawing or swimming lessons, large-size packages of breakfast cereals, cleaning products, etc.
Full nest III	Family income improves, as the children get older. Both parents are likely to be working outside the home and both may have had some career progression; also, the children will be earning some of their own money from part-time jobs, etc. Family purchases might be a second car, replacement furniture, some luxury items and children's education.

Empty nest I	Children have grown up and left home. Couples are at the height of their careers and spending power, have low mortgages, very reduced living costs. Often go for luxury travel, restaurants and theatre, so they need fashionable clothing, jewellery, diets, spas, health clubs, cosmetics or hairdressing.
Empty nest II	Main breadwinner has retired, so some drop in income. Expenditure is more health orientated, buying appliances for sleep, over-the-counter (OTC drugs like Crocin, Disprin, Gellusil) remedies for indigestion. They often buy a smaller house or move to an apartment in suburbs.
Solitary survivor	If they still are in the workforce, widows and widowers enjoy a good income. They may spend more money on holidays, as well as the items mentioned in empty nest II.
Retired solitary survivor	Same general consumption pattern is evident as above, but on a smaller scale due to reduced income. They have special needs for love, affection and security, so may join local clubs for aged etc.

The family life cycle is a useful rule-of-thumb generalisation, but given the high divorce rate and the somewhat uncertain nature of career paths, it is unlikely that many families would pass through all the stages quite as neatly as the model suggests. The model was developed in 1965 and 1966 and should therefore be treated with a degree of caution.

Influence of children on buying decisions:

First-born children generate more economic impact than higher-order babies. First-born and only children have a higher achievement rate than their siblings, and since the birth rate is falling, there are more of them proportionally. More and more couples are choosing to have only one child and families larger than two children are becoming a rarity. Childlessness is also more common now than it was 30 years ago.

Children also have a role in applying pressure to their parents to make particular purchasing decisions. The level of 'pester power' generated can be overwhelming, and parents will frequently give in to the child's demands. This is substantiated by the spurt of cartoon channels like Cartoon Network, Pogo, Nick, Animax, Hungama or Splash, all of which depend on the advertisements of all possible products in which children have their influence over their parents. Although the number of children is steadily declining, their importance as consumers is not. Apart from the direct purchases of things that children need, they influence decision making to a marked extent. Children's development as consumers goes through five stages:

1.   Observing

2.   Making requests

3.   Making selections

4.   Making assisted purchases

5.   Making independent purchases

Recent research has shown that pre-teens and young teens have a greater influence on family shopping choices than the parents themselves, for these reasons:

i.   Often they do the shopping anyway, because both parents are working and the children have the available time to go to the shops.

ii.   They watch more TV, so are more influenced by advertising and more knowledgeable about products.

iii.   They tend to be more attentive to consumer issues, and have the time to shop around for.

b)   *Reference group:*

A group is two or more persons who share a set of norms and whose relationship makes their behaviour interdependent. A reference group is a group of people with whom an individual associates. It is a group of people who strongly influence a person's attitudes values and behaviour directly or indirectly. Reference

groups fall into many possible grouping, which are not necessarily to be exhaustive (i.e. non over-lapping). The various reference groups are:

i) **Membership or contractual groups:**

They are those groups to which the person belongs, and interacts. These groups have a direct influence on their member's behaviour.

ii) **Primary or normative groups:**

They refer to groups of friends, family members, neighbours co-workers etc whom we see most often. In this case, there is fairly continuous or regular, but informal interaction with cohesiveness and mutual participation, which result in similar beliefs and behaviour within the group.

iii) **Secondary groups:**

They include religious groups, professional groups etc, which are composed of people whom we see occasionally. These groups are less influential in shaping attitudes and controlling behaviour but can exert influence on behaviour within the purview of the subject of mutual interest. For example, you can be member of a philately or literary club where you can discuss on mutually interesting subjects.

iv) **Aspiration group:**

These are group to which a person would like to join as member. These groups can be very powerful in influencing behaviour because the individual will often adopt the behaviour of the aspirational group in the hopes of being accepted as a member. Sometimes the aspirational groups are better off financially, or will be more powerful; the desire join such groups is usually classed as ambition.

For example, a humble office worker may dream of one day having the designation to be present in the company boardroom. Advertising commonly uses images of aspirational groups, implying that the use of a particular product will move the individual a little closer to being a member of an

aspirational group. Just consider Nokia 6230 ad campaign where an young man with Nokia mobile is shown to be capable to go the top position in the company, thus instigating you to use the same model in order to join the same aspirational group.

v) **Dissociative or avoidance groups:**

These are groups whose value an individual rejects and the individual does not want to be associated with. For example, a senior corporate executive does not want to be taken as a teenager. Hence, the individual will try to avoid certain products or behaviours rather than be taken for somebody from the dissociative group. In the just given example, the executive may not use cigarette, perfume or car, which are very much teenager-oriented. Like aspirational groups, the definition of a group as dissociative is purely subjective and it varies from one individual to the next.

vi) **Formal groups:**

These groups have a known list of members, very often recorded somewhere. An example might be a professional association, or a club. Usually the rules and structure of the group are laid down in writing. There are rules for membership and members' behaviour is constrained while they remain part of the group.

However, the constraints usually apply only to fairly limited areas of behaviour; for example, the association of Chartered Accountants (CA) or the Cost Accountants have laid down the codes of practice for their members in their professional dealings, but has no interest in what its members do as private citizens. Membership of such groups may confer special privileges, such as job advancement or use of club facilities, or may only lead to responsibilities in the furtherance of the group's aims.

vii) **Informal groups :**

These are less structured, and are typically based on friendship. An example would be an individual's circle of friends, which only exists for mutual

moral support, company and sharing experiences. Although there can be even greater pressure to conform than would be the case to a formal group, there is nothing in writing.

Often informal groups expect a more rigorous standard of behaviour across a wider range of activities that would a formal group; such circles of friends are likely to develop rules of behaviour and traditions that are more binding than written rules.

viii)   **Automatic groups :**

These are those groups, to which one belongs by virtue of age, gender, culture or education. These are sometimes also called category groups. Although at first sight it would appear that these groups would not exert much influence on the members' behaviour, because they are groups, which have not been joined voluntarily, it seems that people are influenced by group pressure to conform. For example, when buying clothes, older people are reluctant to look like a teenager and hence they normally do not buy jeans.

ix)   **Indirect groups:**

In this case, the customers are not in direct contact with the influencers. For example, a film star like Shah Rukh Khan pitches for Santro car, it obviously has a deep influence over the blind fans.

x)   **Comparative groups:**

The members of this group are those with whom you compare yourself. For example, you may compare yourself with your brother or sister (sibling rivalry) or the colleagues and try to emulate by possessing some unique products or brands like Modava watch or Christian Dior perfume.

xi)   **Contactual group:**

The group with which we are in regular contacts like college friends, office colleagues.

c) **Roles and status:**

A person participates in many groups like family, clubs, and organisations. The person's position in each group can be defined in tern of role and status. A role consists of the activities that a person is expected to perform. Each role carries a status. People choose products that communicate their role and status in society. Marketers must be aware of the status symbol potential of products and brands.

3. **Cultural factors:**

Kotler observed that human behaviour is largely the result of a learning process and as such individuals grow up learning a set of values, perceptions, preferences and behaviour patterns as the result of socialisation both within the family and a series of other key institutions. From this we develop a set of values, which determine and drive behavioural patterns to a very large extent.

According to Schiffman and Kanuk, values include achievement, success, efficiency, progress, material comfort, practicality, individualism, freedom, humanitarianism, youthfulness and practicality. This broad set of values is then influenced by the subcultures like nationality groups, religious groups, racial groups and geographical areas, all of which exhibit degrees of difference in ethnic taste, cultural preferences, taboos, attitudes and lifestyle.

The influence of subcultures is subsequently affected by social stratification or social class, which acts as a determinant of behaviour. Social class is determined by a series of variables such as occupation, income, education and values rather than by a single variable. People within a particular social class are more similar than those from different social classes, but they can move from one social class to other in due time and circumstances.

Cultural factors consist of a) Culture, b) Sub culture and c) Social class.

a) **Culture:**

Culture is the most fundamental determinant of a person's want and behaviour. The growing child acquires a set of values, perception preferences and behaviours through his or her family and other key institutions. Culture influences

considerably the pattern of consumption and the pattern of decision-making. Marketers have to explore the cultural forces and have to frame marketing strategies for each category of culture separately to push up the sales of their products or services. But culture is not permanent and changes gradually and such changes are progressively assimilated within society.

Culture is a set of beliefs and values that are shared by most people within a group. The groupings considered under culture are usually relatively large, but at least in theory a culture can be shared by a few people. Culture is passed on from one group member to another, and in particular is usually passed down from one generation to the next; it is learned, and is therefore both subjective and arbitrary.

For example, food is strongly linked to culture. While fish is regarded as a delicacy in Bengal, and the Bengalis boast of several hundred different varieties, in Gujarat. Rajastan or Tamil Naru, fish is regarded as mostly unacceptable food item. These differences in tastes are explained by the culture rather than by some random differences in taste between individuals; the behaviours are shared by people from a particular cultural background.

Language is also particularly culturally based. Even when a language is shared across cultures, there will be differences according to the local culture; differences between Hindi accents and choice of words of various places like Mumbai, Delhi or Bihar are clearly understandable.

While cultural generalities such as these are interesting and useful, it would be dangerous to make assumptions about individuals from other countries based on the kind of general findings in Hofstede's work. Individuals from within a culture differ more than do the cultures from each other: in other words, the most individualistic Indian is a great deal more individualistic than the most conformist American. Having said that, such generalisations are useful when approaching mass markets and are widely used when planning mass advertising campaigns such as TV commercials.

Culture can change over a period of time, although such changes tend to be slow, since culture is deeply built into people's behaviour. From a marketing

viewpoint, therefore, it is probably much easier to work within a given culture than to try to change it.

b)   Sub-Culture:

Each culture consists of smaller sub-cultures that provide more specific identification and socialisation for their members. Sub-culture refers to a set of beliefs shared by a subgroup of the main culture, which include nationalities, religions, racial groups and geographic regions. Many sub-Cultures make up important market segments and marketers have to design products and marketing programs tailored to their needs.

Although this subgroup will share most of the beliefs of the main culture, they share among themselves another set of beliefs, which may be at odds with those held by the main group. For example, Indians are normally seen as orthodox, conservative people, but rich, up-market youths do not hesitate to enjoy night parties with liquor and women. Another example is that, the urban educated or upper class exhibits more trace of individualism although Indian culture is mostly collective in nature.

c)   Social class:

Consumer behaviour is determined by the social class to which they belong. The classification of socioeconomic groups is known as Socio-Economic Classification (SEC). Social class is relatively a permanent and ordered division in a society whose members share similar value, interest and behaviour. Social class is not determined by a single factor, such as income but it is measured as a combination of various factors, such as income, occupation, education, authority, power, property, ownership, life styles, consumption, pattern etc.

There are three different social classes in our society. They are upper class, middle class and lower class. These three social classes differ in their buying behaviour. Upper class consumers want high-class goods to maintain their status in the society. Middle class consumers purchase carefully and collect information to compare different producers in the same line and lower class consumers buy on impulse.

Again there could be education considerations. A rich but not so educated people will not normally buy a computer. We should consider another factor of social mobility

where a person gets up in the social ladder (for example, poor can become middle class and middle class become rich or the children of uneducated family can attain higher education) or down in the social ladder (for example, rich can become poor or the children of a highly educated family may not continue study).

Therefore marketing managers are required to study carefully the relationship between social classes and their consumption pattern and take appropriate measures to appeal to the people of those social classes for whom their products are meant.

4.   **Economic Factors:**

Consumer behaviour is influenced largely by economic factors. Economic factors that influence consumer behaviour are

a)   Personal Income,

b)   Family income,

c)   Income expectations,

d)   Savings,

e)   Liquid assets of the Consumer,

f)   Consumer credit,

g)   Other economic factors.

a)   **Personal Income** *:*

The personal income of a person is determinant of his buying behaviour. The gross personal income of a person consists of disposable income and discretionary income. The disposable personal income refers to the actual income (i.e. money balance) remaining at the disposal of a person after deducting taxes and compulsorily deductible items from the gross income. An increase in the disposable income leads to an increase in the expenditure on various items. A fall in the disposable income, on the other hand, leads to a fall in the expenditure on various items.

The discretionary personal income refers to the balance remaining after meeting basic necessaries of life. This income is available for the purchase of shopping goods, durable goods and luxuries. An increase in the discretionary income leads to an increase in the expenditure on shopping goods, luxuries etc. which improves the standard of living of a person.

b)   Family income:

Family income refers to the aggregate income of all the members of a family.

Family income influences the buying behaviour of the family. The surplus family income, remaining after the expenditure on the basic needs of the family, is made available for buying shopping goods, durables and luxuries.

*c***)   Income Expectations:**

Income expectations are one of the important determinants of the buying behaviour of an individual. If he expects any increase in his income, he is tempted to spend more on shopping goods, durable goods and luxuries. On the other hand, if he expects any fall in his future income, he will curtail his expenditure on comforts and luxuries and restrict his expenditure to bare necessities.

*d***)   Savings:**

Savings also influence the buying behaviour of an individual. A change in the amount of savings leads to a change in the expenditure of an individual. If a person decides to save more out of his present income, he will spend less on comforts and luxuries.

e)   Liquid assets:

Liquid assets refer to those assets, which can be converted into cash quickly without any loss. Liquid assets include cash in hand, bank balance, marketable securities etc If an individual has more liquid assets, he goes in for buying comforts and luxuries. On the other hand, if he has less liquid assets, he cannot spend more on buying comforts and luxuries.

f)   Consumer credit:

Consumer credit refers to the credit facility available to the consumers desirous of purchasing durable comforts and luxuries. It is made available by the sellers, either directly or indirect through banks and other financial institutions. Hire purchase, installment purchase, direct bank loans etc are the ways by which credit is made available to the consumers.

Consumer credit influences consumer behaviour. If more consumer credit is available on liberal terms, expenditure on comforts and luxuries increases, as it induces consumers to purchase these goods, and raise their living standard.

g)   Other economic factor :

Other economic factors like business cycles, inflation, etc. also influence the consumer behaviour.

5.   Personal factor :

Personal factors also influence buyer behaviour. The important personal factors, which influence buyer behaviour, are a) Age, b) Occupation, c) Income and d) Life Style

a)   Age :

Age of a person is one of the important personal factors influencing buyer behaviour. People buy different products at their different stages of cycle. Their taste, preference, etc also change with change in life cycle.

b)   Occupation :

Occupation or profession of a person influences his buying behaviour. The life styles and buying considerations and decisions differ widely according to the nature of the occupation. For instance, the buying of a doctor can be easily differentiated from that of a lawyer, teacher, clerk businessman, landlord, etc. So, the marketing managers have to design different marketing strategies suit the buying motives of different occupational groups.

c) Income :

Income level of people is another factor which can exert influence in shaping the consumption pattern. Income is an important source of purchasing power. So, buying pattern of people differs with different levels of income.
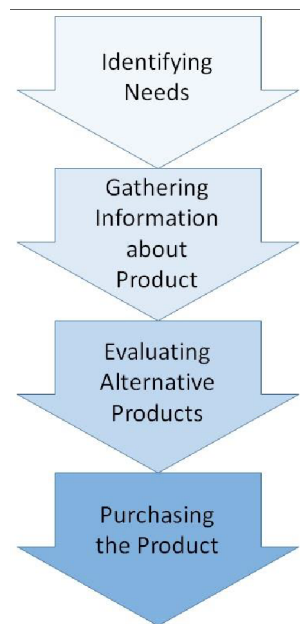
d) Life Style:

Life style to a person's pattern or way of living as expressed in his activity, interests and opinions that portrays the "whole person" interacting with the environment. Marketing managers have to design different marketing strategies to suit the life styles of the consumers.

2.5.1 Consumer's Decision Making Process

A customer goes through a number of stages as shown in the following figure before actually deciding to buy the product.

However, customers get to know about a product from each other. Smart retail managers therefore insist on recording customers' feedback upon using the product. They can use this information while interacting with the manufacturer on how to upgrade the product.

Identifying Needs

Gathering Information about Product

Evaluating Alternative Products

Purchasing the Product

Figure 2.3

✍ Identifying one's need is the stimulating factor in buying decision. Here, the customer recognizes his need of buying a product. As far as satisfying a basic need such as hunger, thirst goes, the customer tends to decide quickly. But this step is important when the customer is buying consumer durables.

✍ In the next step, the customer tries to find out as much information as he can about the product.

✍ Further, the customer tries to seek the alternative products.

✍ Then, the customer selects the best product available as per choice and budget, and decides to buy the same.

2.6 CONSUMER AN INDIVIDUAL APPROACH AND SOCIOLOGICAL APPROACH

We human beings have unlimited needs and our needs which we study as consumer needs are the basis of all modern marketing. We can say that needs are the essence of marketing concept. In fact, the key to a firm's survival, profitability, and growth in a highly competitive marketing environment is its ability to identify and satisfy unfulfilled consumer needs better and sooner than the competiton

1. What is Need ?

So now let us see what is need. We can say there is a cause for all the activities of human being and each activity is backed by a particular need or motive. Needs, we can say, is a feeling or desire for something, which is lacking and through performing various activities to get the feeling of lacking removal and thus become satisfied. Thus any human behaviour is caused by motives or needs. Hence, to make it more clear, motivation is concerned with needs the most basic human requirement. Drives tell how these needs translate into behaviour. Goals tell what these behaviour aim to achieve. Nutrament, a product marketed by Bristol-Myers Squibb originally was targeted at consumers that needed to receive additional energy from their drinks after exercise etc., a fitness drink. It was therefore targeted at consumers whose needs were for either love and Belonging or esteem. The product was not selling well, and was almost terminated. Upon extensive research it was determined that the product did sell well in inner-city convenience stores.

It was determined that the consumers for the product were actually drug addicts who couldn't digest a regular meal. They would purchase Nutrament as a substitute for a meal. Their motivation to purchase was completely different to the motivation that B-MS had originally thought. These consumers were at the Physiological level of the hierarchy. BM-S therefore had to redesign its MM to better meet the needs of this target market. Motives often operate at a subconscious level therefore are difficult to measure.

Types and Systems of Need

These needs that we discussed so far could fall into three broad categories :

a.   Physiological (or primary) needs: Those needs, which are innate, or biogenics needs and sustain life. E.g., food and air

b.   Psychological needs: personal competence

c.   Learned (secondary or cultural) needs: acquired needs

2.   Needs Arousal

Needs can be aroused by four distinct stimuli**:**

   •   Physiological

   •   Cognitive

   •   Environmental

   •   Emotional

3.   Goals

Goals are known as sought after result of motivational behaviour. Goals may be generic or specific.

Selection of Goals for a given need choice of the goal to satisfy the need will depend on a number of things:

   •   Personal experience

   •   Social and cultural norms and values

- Personal norms and values

- Physical and or intellectual capacity

- Accessibility of goal

- Self image

4. Needs and Wants

Now that we have a fair idea of what is need, let us look at the difference between need and want although we use the two terms interchangeable at times. So what is the difference between need and want ?

- A need is an unsatisfactory condition of the customer that leads him or her to an action to make the condition better –e.g. the need for food due to hunger.

- A want is a desire to obtain more satisfaction than is absolutely necessary to improve an unsatisfactory condition – E.g. the desire for that food to be chocolate!

What determines customer needs?

1. Personal characteristics of the individual :

- Genetics – the branch of science dealing with heredity and chemical/biological characteristics – E.g. food allergies

- Biogenics – characteristics that individuals possess at birth – E.g. gender and race

- Psychogenics – individual states and traits induced by a person's brain functioning – E.g. moods and emotions.

2 Physical characteristics of environment:

- Climate, including temperature, attitude and rainfall – E.g. winter versus summer clothing

- Topography – refers to the physical condition of the Location E.g. mountain bikes in certain terrain

- Ecology, including quality of air, ozone layer and food chain – E.g. sun protection and allergy medications.

What determines customer wants ?

1.   The individual context:

•   Personal worth or the financial resources available to the individual E.g. luxury versus budget cars

•   Institutional context – the groups and organisations that a person belongs E.g. teen clothing styles

•   Cultural context – the influence of a customer's culture and cultural values E.g. ethnic foods

2.   The Environmental Context:

•   Economy

•   Technology

•   Public Policy

Need for arousal, cognition and attribution

•   Arousal seeking

    –Optimal level of stimulation: not bored/overwhelmed

    –Level of adaptation: level perceived as normal

    –Arousal seeking motive: stimulation at optimum level

•   Curiosity: need for cognition

    –Need for knowledge/information/understanding

    –Tolerance of ambiguity: degree to which lack of information causes anxiety

    –Market mavens: have information about many products and provide market information to customers

•   Need for attributions

    –Inferences about causes of events and behaviour of self and others

- Internal attributions –Ascribing to personality dispositions, traits, abilities, motivations or feelings

- e.g. 'he/she did it because they were bored'

- External attributions–Refers to situational demands or environmental constraints beyond the control of the individual

- E.g. 'he/she did it because of the weather'

5. **Motive**

   A construct representing an unobservable force that stimulates and compels a behavioral response and provides specific direction to that response. Needs occur when a perceived discrepancy exists between an actual and a desired state of being. Note that there are many theories of motivation:

- Don't look at these as "right" or "wrong"; they are just theories.

- None are validated, but seem intuitively logical.

Multiple Motives

   Consumers usually have multiple motives for particular behaviors. These can be a combination of: Manifest known to the person and freely admitted latent unknown to the person or the person is very reluctant to admit

   Note: different motives can lead to the same behavior; observing behavior is not sufficient to determine motives.

Maslow's Hierarchy of Needs

   Abraham Maslow hypothesized that within every human being there exists a hierarchy of five needs:

   1. Physiological

   2. Safety

   3. Social

   4. Esteem

5.   Self actualization

Unsatisfied need ==>. . . . .tension ==>. . . . . drives==>. . . . . search behaviour ===>. . . . . satisfied need ===>. . . . . Reduction of tension

You may use this theory as a conceptual guide; it is intuitively appealing. However, at times it is difficult to support it.

E.g., why would a person like Dr. Verma spend a few years in a doctoral program, attempting to raise a family of four on Rs.12,000 per month, if "self actualization" shouldn't occur without first meeting lower order needs?

Nonetheless, one point that can be made from looking at Maslow's theory and from others is that we can expect different people in different situations to be motivated in different ways and toward different goals depending on what needs have been met. That is, while the specific factors of Maslow's idea are not valid in all situations, the idea that motivation can work in a hierarchical fashion is a valid concept.

However, to explain this further we end the discussion on this model by taking the example of household Customers and their different levels of needs. Maslow's hierarchy of needs for household customers

•   Physiological needs

        –Food, clothing and shelter

•   Safety needs

        –Insurance, car safety features

•   Social needs

        –Greeting cards, designer clothing

•   Esteem needs

        –Choice of stores, self-gifting

•   Self-actualisation needs

        –Self-improvement activities

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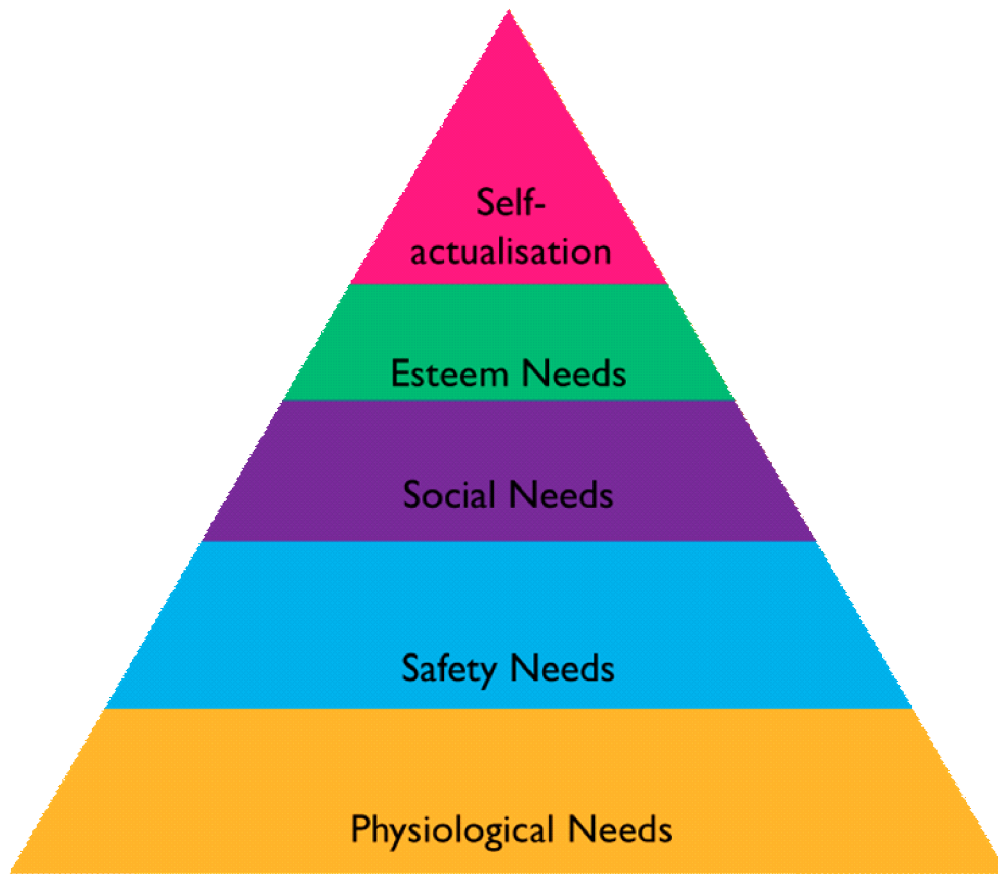
Figure : 2.4

Sheth's Five Needs

Sheth had identified five levels of needs, which we are mentioning below, with some examples:

- Functional needs

    –Those needs which satisfy a physical/functional purpose, e.g. soap

- Social needs

    –Needs that Allow identification with desired group, e.g.logos

- Emotional needs

–Those needs which, create appropriate emotions, e.g. joy on getting gift

- Epistemic needs

    –The Need for knowledge/information, e.g. newspaper

- Situational needs

    –The needs, which are contingent on time/place, e.g. emergency repairs

McCLELLAND'S Three Needs Theory

As we know, having studied this before McClelland had identified three types of needs: Need for achievement, Need for Power, and Need for affiliation

- **nACH:**

    need for achievement: drive to excel: drive to achieve in relation to a set of standards; to strive to succeed.

- **nPOW:**

    need for power: the need to make others behave in a way that they would not have behaved otherwise.

- **nAFF:**

    need for affiliation: the desire for friendly and close interpersonal relationships.

High nACH

Some people like goals, some do not. These people are high achieves.

- they are not gamblers
- they avoid very easy or very difficult tasks
- low odds of losing present no challenge to their skills
- high odds of losing offer no rewards from happenstance success
- get most satisfaction from "50-50 odds

High nPOW

- these people like being "in charge"

- more interested in the prestige of power than in effective performance

High nAFF

- these people strive for friendship

- prefer cooperative rather than competitive situations

- desire relationships with a high degree of mutual understanding. McClelland's idea suggests why it is that different people behave in different ways. We all have more or less of a need on some of these factors, making each of us motivated toward different personal goals. People who have a higher nACH would probably make better entrepreneurs or salespeople and be lousy team players. People who have a higher nPOW would probably make better leaders but could be obnoxious "arm twisters" as salespeople. People who have a higher nAFF would probably make the best team players but would lack the "self drive" to be salespeople running their own territory. The point of this is to note that different people have different personalities.

6. Customer Emotions

Emotions - We can say that emotions are consciousness of the occurrence of some physiological arousal followed by a behavioural response along with appraised meaning of both

- Schachter's two-factor theory

  –Experience of emotion depends on automatic arousal and its cognitive interpretation.

  –Marketers respond by designing the stimulus to fit appropriate consumption emotions and aiding in message appraisal E.g. symbolism in advertising.

Types of Emotions

- Plutchik proposed eight primary emotions:

  –Fear: from timidity to terror

  –Anger: from annoyance to rage

  –Joy: from serenity to ecstasy

  –Sadness: from pensiveness to grief

  –Acceptance: from tolerance to adoration

  –Disgust: from boredom to loathing

  –Anticipation: from mindfulness to vigilance

  –Surprise: from uncertainty to amazement

- Other emotions are combinations, e.g. joy and acceptance combine as love; disgust and sadness combine as remorse.

Needs, Self-expression and Consumer Behaviour

NEEDS, motivation and personality are related concepts and it would be appropriate to consider them together in a practical context. Need is a state of deprivation.

Motivation is the drive, which propels a person towards achieving his goals, and personality is a set of inner characteristics, which enable a person to decide how he or she should respond to the environment.

Motivation and personality could be linked - a person with a high degree of confidence may be assertive. There are a number of theories on personality. Freudian theory assumes that the behaviour of individuals would be based on unconscious needs and drives. According to this theory, the human personality consists of three parts - id, ego and super ego. The id is the component, which consists of impulses and primitive instincts, which urge the individual to move towards immediate gratification.

A number of product categories which may not have well defined functional attributes and which are oriented towards sensual pleasure formulate communication, which may appeal to the id part of the personality. Perfumes, cigarettes and liquor are some categories, which make use of the approach. Black Knight and Bacardi brands are examples, which have adopted this route to communication.

There are two kinds of needs - primary and secondary. Primary needs are associated with physiological needs such as thirst, hunger and sex. Secondary needs are acquired needs like sense of belonging, status and self-esteem. Consumers may not consciously know their secondary needs and it is in this situation that the symbolism associated with brands could appeal to consumers. Louis Philippe, Park Avenue in apparel, Mercedes in automobiles and Fastrack in watches are some examples, which reflect the symbolism in brands.

Consumers, by associating themselves with these symbolic brands, are able to gratify their psychological needs. Research methods are required to probe into such needs of consumers.

Liril soap was launched in the seventies after a research agency researched and found that housewives had a distinctive need for fantasizing. This was captured in the advertisement for Liril - waterfall, freshness (denoted by green) and the indulgence of the model in the advertisement.

This communication is still being used (with variations brought in) after more than two decades.

Multiplicity of Needs

Normally consumers have more than one need and analysing the multiplicity of needs (with their importance) could provide insights for marketers. A buyer of no-frill Maruti may be interested in the brand because of its low price, fuel economy and adequate comfort. But low price could be the pre-potent need, which could take the brand into the consideration set of consumers.

Types of Goals

Goals can be positive or negative. A positive goal is one towards which behaviour is directed and a negative goal is one from which behaviour is directed away. This concept is useful when USP (unique selling proposition) is researched. For example: would consumers want white teeth or would they like to prevent tooth decay, could be a decision which needs to be taken by the marketer and the concept of goals are likely to be useful in this situation.

Extrinsic and Intrinsic Needs

Needs from the viewpoint of application to a practical context could be classified as extrinsic and intrinsic needs. Extrinsic needs are those, which motivate an individual to achieve an end result. Buying a status symbol (designer watches or furniture) to impress others could be associated with extrinsic needs. If the individual buys a car for his own comfort and enjoyment, it gets associated with intrinsic needs. It may be worthwhile to gauge the linkages between intrinsic and extrinsic needs before a communication package is formulated for a brand. The example would explain the concept of examining the linkages between intrinsic and extrinsic needs.

The list of needs provided in the TV example, illustrate the concept. In-depth research is required to gauge the degree and importance of these needs. This would also be useful to select the imagery, which needs to be associated with the chosen USP. For example, Cielo carried imagery in which the proud owner of the brand reflected his happiness at procuring the brand after he had achieved success. This typically involves both intrinsic and extrinsic motives.

Trade-off motivators

Research has shown that the manner in which consumers perceive marketing communication has important implications for marketers. This is especially in the area of FMCG products such as fast foods. Healthy and fast (meaning convenience) may be perceived as tasting bad and oriented towards laziness. This ambiguity could be referred to as trade-off motivators and marketing researchers could probe such propositions with a view to unearth such trade-off motivators.

Self-concepts and their implications

In almost any category in consumer products, symbolism makes use of self-concept. Self- concept is the image an individual holds about himself. There are a variety of selfconcepts, which could be useful to marketing communication.

They are:

(a)   **Actual self-concept** - How the individual perceives himself. A group of consumers may perceive themselves as rebellious, non-conformists who seek individuality and freedom in their lifestyles. Charms brand of cigarettes, during the early eighties, was perhaps one of the early brands in the Indian context to create a brand personality using the power of self- concept. The Spirit of Freedom and Charms is the way you are used some of the punch lines in the advertisement of the brand, which featured young models. In order to add to the claims about freedom they had packaged the brand in the pack, which carried denim type of design. This was the time when denim, which has its origin in the US, was getting accepted in the Indian context for its functional and symbolic appeals. The lifestyle type of advertising and the association (normally associated in the West with casualness and freedom) made the brand an inherent part of the youth culture during its time. The brand had used either actual self-concept or others actual self-concept (how an individual likes others to perceive him).

(b)   **Ideal self-concept** - this is concerned with how an individual would like to ideally perceive himself. There is a thin line of difference in that ideal self concept has an overtone of futuristic aspiration in it (more deeper than an active self-image) - the individual perceives the ideal image of himself/herself based on his aspirational needs and this would depend on the individuals status - financial and educational, childhood upbringing, environmental exposure and personality traits. An upcoming businessman may buy the Lacoste brand of apparel, which is associated with the profile of a globetrotter, club membership, some, kind of exclusivity and perhaps certain up market sports. There could also be a variant of this kind of self-concept in the form of others ideal selfconcept (how others should ideally perceive the individual).

The individual may use status symbol to impress others (others ideal self-concept) but may resist from using them whenever there is a situation where the individual feels others do not matter (personal discretionary time/leisure etc. vis-à-vis professional work).

Marketers could use such psychographic information with timestyles (how individuals spend their time) to come out with appropriate appeals for products and services (vacation and week-end cars are examples of categories where these kinds of orientation are likely to be useful).

(c)   **Expected self-image** - this kind of image is between actual and ideal self-images. It is likely to be useful to marketers because changing the self-image radically towards the ideal image would be difficult and expected self-image is one which consumers could identify with. A typical example is the advertisements of computer education institutes, which attempt to draw prospective consumers for their courses generally ranging from a few weeks to two years.

Though there is an element of aspiration, consumers feel it leads to a situation which is a stepping stone (completion of the course to get a job) rather than the realisation of their dreams (the ultimate ideal self- image). For a given target segment, the short term aspirations may reflect actual self-concepts and the long term ones the ideal selfconcepts. Individual differences as reflected through self-perception, sensitivity to others perception and rational and irrational needs form the basis on which brands carry their psychological warfare in the minds of consumers.

2.8   REFERENCE GROUP INFLUENCE

Meaning and Nature :

"Reference Group is a group that serves as a reference point for an individual in the formation of his/her beliefs, attitudes and behaviour." Marketers frequently advertise their products in a group setting- the family eating breakfast cereals, the neighbour admiring the paint of the house.

The purpose of these examples is to demonstrate the influence that friends and relatives have on consumers. Advertisers use celebrities to mirror group influences and

sometimes typical consumers as spokesperson's as they reflect the purchaser's norms and values and act as a representative of the consumer's reference group. For example – In Vim bar ad, only the next door house wives are shown.

Reference groups provide points of comparison by which to evaluate attitudes and behaviour. A consumer can either be a member of a reference group (like family) or aspire to belong to a group. In first case, the individual is said to be in a membership group and in the second, the individual is part of an aspiration group.

When an individual joins a group and then rejects the group's values this type of group is a dis-claimant group for the individual. If an individual avoids the membership of a certain group, this type is called as dissociative group. This means reference groups can also be viewed negatively.

Types of Reference Groups :

These four types of reference groups are shown in the Fig 8.1. Advertisers use only positive attitude appeals in their ads.

	Membership	Non membership
+ve Attitude	Positive Membership Group	Aspiration Group
-ve Attitude	Disclaimant Group	Dissociative Group

Fig. 2.5 TYPES OF REFERENCE GROUPS

Membership Groups :

As marketers are interested only in the positive type of membership group, let us further break down membership and aspiration group. Membership group can be further divided into primary or secondary and informal or formal. If a person has regular contact with certain individuals such as family, friends etc., those individuals form a primary group. If the group members have less frequent contact amongst themselves, they from a secondary group like shopping groups, sports club etc.

Marketers are interested in studying the primary group as they help in developing product beliefs, tastes and preferences and also directly influence the purchasing behaviour of an individual. It is seen through research that members of groups with the greatest contact in a variety of situations are more likely to buy the same brands.

	INFORMAL	FORMAL
PRIMARY	**Family / Peer Groups**	**School Groups Business Group**
SECONDARY	**Shopping Groups**	**Alumni Groups**

Fig. 2.6. INFORMAL / FORMAL GROUP

Groups can also be divided by whether they have a formal structure with specific roles or an informal structure. This classification produces four types of membership groups as shown in the Fig 2.6. The family/peer groups represent primary informal groups which is important because of the frequency of contact and the closeness between the individual and group members. Advertisers frequently portray consumption among friends and family.

Primary formal groups have a more formal structure. These are groups with which the consumer frequently comes into contact. For example – business executive's who-are assigned the project together. Advertisers show membership in such groups as a means of winning product approval.

Secondary formal groups are not important to the consumer, as they meet infrequently, are structured, and are closely knit. For example-alumni Groups, business clubs etc. This group is of least interest to the marketer.

Secondary formal groups are not important to the consumer, as they meet infrequently, are structured, and are closely knit. For example-alumni Groups, business clubs etc. This group is of least interest to the marketer.

Aspiration Groups :

There are two types of aspiration groups. These are :

(a)   Anticipatory aspiration groups are those groups, in which an individual plans to join at a future time and also in most cases he/she has direct contact. For example-

when an individual aspires for a group higher in the organizational hierarchy, this is basically for rewards like power, status, prestige and money. Marketers specially of clothing and cosmetic industry's appeal to the desire to enhance one's position by climbing to a higher aspiration group.

(b) Symbolic aspiration groups are those groups, in which an individual is not likely to belong, despite acceptance of the group's beliefs and attitudes. Marketers appeal to symbolic aspirations by using celebrities to advertise certain products.

Types of Aspirations Groups

CONTACT   **Anticipatory**
NO CONTACT   **Symbolic**

Fig. 2.7

Nature of Reference Groups:

Reference groups have certain characteristics that affect their influence on consumers. They establish norms, roles, socialization, status and power.

(i) Norms :

Norms are the rules and standards of conduct established by a group. This means group members are expected to conform to these norms and they may relate to eating habits, makes of cars, clothes or cosmetics etc.

(ii) Roles :

Roles are the functions that the group assigns to an individual to attain group objectives. Various roles that have been identified in family decision making are the influences, the gatekeeper, decision maker, the purchaser and the consumer.

(iii) Status:

Status refers to the position an individual enjoys within the group. High status implies greater power and influence. A person may enjoy a highest status in the organization but may be the weakest member in the tennis club.

99

(iv) Consumers sometimes purchase products to demonstrate status in a broader societal sense so that the message is one of wealth and implied superiority.

(v) **Socialization**:

Socialization is a process by which an individual learns the group's norms and role expectations.Consumer socialization is the process by which consumers acquire the knowledge and skills necessary to operate in the marketplace.

(vi) **Power :**

The influence that a group has on an individual is closely related to the group's power.

Three sources of group influence which are relevant for marketing strategy are:

(a) **Expert Power :**

For this an individual or group must have knowledge and experience.

(b) **Reference Power:**

Reference power depends on the individual's identification with members of the group. The greater the similarity between the individual's beliefs and attitudes and those of group members, the greater the reference power of the group. Either the individual is the member of the group or he/ she aspires to belong to a group.

(c) **Reward Power :**

It is based on the group's ability to reward the individual. An employer rewards an employee with money and status, family rewards the child with praise and approval.

2.8.1 Factors That Affect Reference Group Influence:

Reference Groups affect consumer choice because of following factors :

(1)   Normative Influence:

When reference groups affect behaviour and attitudes through vertin for conformity, then this is known as normative influence. According to Park and Lessig, a consumer is motivated to conform to the norms and behaviour of the group if:

(a)   The group provides significant rewards for compliance and punishment for lack of compliance and

(b)   The individual's behaviour in conforming is visible to members of the group.

Conformity pressures become most potent when there is both positive motivation to maintain group identity and the motivation of threats of sanctioning power in the form of rewards and punishments. Normative influence can occur even when others do not control tangible outcomes because people are concerned with their perceptions of what other think of them.

This means, it may also occur for items such as mouthwash and denture adhesive, even if these items are not visible. Marketing studies reveal that conformity pressures do impact is buying decisions and this is true when the product is conspicuous in its purchase and use and when group social acceptance is a strong motiva-tor. For example fashion conscious women receives clear signals from their peers which product to buy so that their choices were socially correct.

(2)   Informational influence :

A consumer will accept information from a group if he or she considers the group a credible source of information and expertise and if he/she believes the information will enhance knowledge about product choices. The information can be collected directly from knowledgeable persons or by observing the behaviour.

Consumer may consider the marketer's claim with suspicion because of the company's vested interest in promoting the product. Consumers usually seek expert advice from personal sources such as friends and neighbors than from commercial sources.

Table 2.2 explains the nature of informational influence by describing the consumer's objectives as obtaining knowledge, the information is accepted because the credibility of source, the source of power as expertise and the final behaviour as acceptance of influence.

Informational influence is likely to be most important in two conditions. First, when there is social, financial performance risk in buying the product. Second, if the individual has limited knowledge or experience regarding the product. For example, products like car, computer, cellular phones, fax machines etc are likely to be purchased after seeking expert's advice.

Nature of Influence	Objectives	Perceived Characteristics of source	Type of Power	Behaviour
Informational	Knowledge	Credibility	Expert	Acceptance
Normative	Reward	Power	Reward	Conformity
Comparative	Self-maintenance and enrichment	Similarity	Referent	Indentification

Table 2.3 : Nature of Informational Influence

2.8.2 Types of Influence Exerted by Reference Groups:

Comparative Influence:

Comparative influence means comparing oneself to other members of the group and also judging whether groups would be supportive. Consumers constantly compare their attitudes to those of members of important groups. They try to associate themselves with groups with which they agree and by dissociating themselves from groups with which they disagree.

In Table 2.2 comparative influence is a process of self maintenance and enrichment. Individual looks forward to enhance his/her self concept by associating with groups that will provide reinforcement and ego gratifications. Individual's behaviour toward the group is similar and the source of power is referent power.

Comparative influence implies that those being influenced should have characteristics similar to one who is influencing. A study reveals that consumers seek

102

information from those whose view is similar to themselves. The study says that advertisers should use spokespersons to whom con-sumers perceive as being similar to themselves.

This sometimes gives the feeling to an individual that the purchase of a particular brand helps show others what he/she is or would like to be, for example a successful business person, a perfect housewife, athlete etc.

Consumer conforms with Reference Group :

Marketers are basically more interested in the ability of reference groups to change consumer attitudes and behaviour (i.e. to encourage conformity).

Factors on which group membership affects brand choice are:

(a)   The nature of the product, (example-burger versus toothpaste).

(b)   The type of social relationship (example-friends, etc.).

(c)   The social structure of the group. This means the extent of personal ties between group members.

Through research it was observed, members of close knit groups were more likely to reveal a preference for the same brands.

To encourage conformity, a reference group must :

1.   Inform about a product or brand.

2.   Give an opportunity to an individual to compare his/her own thinking with the attitudes and behaviour of the group.

3.   Influence an individual to adopt norms of the group.

4.   Legitimize him/her to use the same products as the group.

Application of Reference Group Concept :

Marketers and advertisers use reference group appeals very effectively to communicate with their customers. They use three types of group influence informational, comparative and normative to develop advertising and personal selling strategies.

Informational Influence :

Advertising strategies have portrayed informational influence through expert spokespersons, comparative influence by using typical consumers and normative influence by showing the rewards of using a product or the risks of not using it.

Marketers use expert spokesperson to convey informational influence through advertising. They are used then to communicate product features and performance. For example – doctor is used for a medical product, an engineer for a technical product. Marketers usually use two approaches to portray expert spokespersons. One is to portray the role the expert plays as in the example above.

A second approach is to show a celebrity who has expertise in the product area. For example using a cricket star's testimonial for a cricket bat. The second approach uses celebrities to provide product testimonials. Such testimonials are accepted only to the degree that consumers view the spokesperson as being an expert on the product.

For example – when for Nike athlete shoes some sports star like P.T. Usha is used as an expert consumer are likely to view a testimonial from P.T. Usha for the product category as credible.

Comparative Influence:

Advertisers use a "typical consumer" approach to persuade consumers that people like themselves have chosen the advertised product. This is used to portray comparative influence and here typical consumer is referent because, by citing common needs and problems, he or she is portrayed as similar to the prospective purchase. For example – in Dove, "typical consumer" approach is used i.e. those ladies who don't have time to spend hours for looking beautiful. A consumer in the market for soap could easily identify with these individuals.

Another way advertisers convey comparative influence is to use a celebrity as a referent. This approach is effective if a segment of consumers wants to identify with the referent because he or she is likable and/or attractive.

Normative Influence:

Marketers convey this type of influence by showing group approval in advertising. For example in ads like shampoo, car, floor cleaner etc. In all these ads glorious and shiny hair, smooth and comfortable ride, shiny and clean floor are used as advertising's simulation of social approval. In all the above cases, an individual who is important to the consumers (i.e. a friend, neighbour, spouse etc.) has expressed approval of the consumer's choice. For example, in Green Label' a liquor ad shows reward power by associating the product with the rewards for achievement in the organization.

Personal Selling Strategies:

Marketers also use the three types of reference group influences to develop sales strategies to influence.

Customers:

Sales strategy implications of informational and comparative influence.

Applications of Informational and Comparative Influence Suggest Two General Approaches to Customers-sales Person Interactions:

(a)   The salesperson can be a objective source of information that is he/she acts as an expert.

(b)   The salesperson can attempt to reinforce the customer's ego and social needs by demonstrating similar needs, concerns and predispositions. In this he/she acts as a referent.

Conditions in which salespersons should establish expertise rather than similarity are:

(a)   If salesperson has the knowledge and credentials to be seen as an expert.

(b)   If customers is engaged in a high risk, complex buying task requiring expertise.

(c)   If the salesperson does not regularly sell to the buyer.

Similarity, it is well established that when the salesperson is in fact similar, the buying task is simple and low risk and the salesperson regularly sells to the buyer.

The above findings show that expertise is more important in a problem-solving approach specially for complex goods such as personal computers or C.D. system, Television etc. due to their greater complexity and variety. Some consumer services also comes under this category like financial offerings, insurance agents, etc.

It is ultimately the role of a salesperson to develop a proper impression of the customer and to formulate a sales strategy whether to be based on expertise or similarity.

2.9 SUMMARY

Retailing is the sale of goods and services to ultimate consumers for personal and non-business use. Any institution may engage in retailing, but a firm engage primarily in retailing is called a retailer. Retailers serve as purchasing agents for consumer and as sales specialists for producers and wholesaling middleman. They perform many specific activities such as anticipating consumers' wants, developing product assortments and financing. On the other hand, they are also try to satisfy the needs of the customers in one shot by having proper product assortments. Thus, they bring economy to the whole operational system and provide better satisfaction to the customers.

2.10 GLOSSARY

B2C: Business to Consumer

B2B: Business to Business

Manufacturers – Produce the goods, using machines, raw materials, and labour.

Wholesalers – Purchase finished goods from the manufacturers and sell those goods to retailers in large bulk quantities

Retailers – Sell the goods in small quantities to the end-user at a higher price, theoretically at the MSRP (Manufacturers Suggested Retail Price).

Consumer – End user who buys the goods (or "shops") from the retailer for personal use.

Consumer Behaviour: it is a branch which deals with the various stages a consumer goes through before purchasing products or services for his end use.

2.11 SELF ASSESSMENT QUESTIONS

1.   What is retailing ?

    _____

    _____

2.   Give five points of distinction between wholesaler and retailer

    _____

    _____

2.12 LESSON END EXERCISE

1.   What is consumer behavior? Explain its process in detail

2.   Explain briefly factors affecting consumer behaviour

2.13 SUGGESTED READINGS

•   Chetan Bajaj, Tuli&Srivastava, RETAIL MANAGEMENT, Oxford University Press, New Delhi.2010

•   Fernie, PRINCIPLES OF RETAILING, Elsevier Publishing, 2010

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Merchandising Planning Warehousing and Supply Chain Management

Structure:

3.1   INTRODUCTION

Put simply, merchandising can be termed as the planning, buying and the selling of merchandise.

The merchandising challenge of consistently having the right product in the right quantity, available at the right place, at the right time and at the right price becomes increasingly difficult as more selling and fulfilling locations are added to a distributed retail model.

Retail Merchandisers are the managers who helps in the process of store assortment. These merchandisers try to get the best out of limited space available in retail store. The main task of retail merchandiser is to manage various product categories on display and to customize the needs of varied customers.

The main challenge for the merchandiser is to improve service levels and decrease stock outs, inventory has to be increased and profitability suffers due to excessive markdowns. To reduce markdowns, inventory needs to be reduced and profitability suffers due to opportunity loss. Many a times, both these situations occur simultaneously.

Warehousing is an essential part of product distribution. Whenever a product is produced and exported to another country there arises a need for warehousing before making the final distribution of the product. These days companies are involved in international operation it may like store the items whose demand is likely to rise in future. A highly volatile price may make companies to use warehousing as a protection against losses. Some time market opportunities for certain products may escalate their demand for a short while; companies need to store such products in order to meet the higher demand. Certain type of products produced in a particular season but sold throughout the

year. In order to meet the demand throughout the year, warehousing becomes very important.

3.2 OBJECTIVES

After going through this unit, you will be able to understand

- define Merchandise Planning

- explain the concept of Supply chain management

- understand the Role of IT in supply chain management

- discuss the Online logistic management

- explain the concept of Retail pricing and promotion

3.3 MERCHANDISE PLANNING

"Advertising moves people toward goods; merchandising moves goods toward people."

- Morris Hite (American Advertising Expert)

In the fierce competition of retail, it is very crucial to attract new customers and to keep the existing customers happy by offering them excellent service. Merchandising helps in achieving far more than just sales can achieve.

Merchandising is critical for a retail business. The retail managers must employ their skills and tools to streamline the merchandising process as smooth as possible.

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing. Merchandising presents the products in retail environment to influence the customer's buying decision.

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	Limited past sales history is available
It provides relatively accurate forecasts	It is difficult to forecast sales

Factors Influencing Merchandising

The following factors influence retail merchandising:

(i)   Size of the Retail Operations

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

(ii)   Shopping Options

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

(iii)   Separation of Portfolios

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

Functions of a Merchandising Manager

- A merchandising manager is typically responsible to:
- Lead the merchandising team.
- Ensure the merchandising process is smooth and timely.
- Coordinate and communicate with suppliers.
- Participate in budgeting, setting and meeting sales goals.

- Train the employees in the team.

- Managing large protfolio of different retail brands.

Merchandise Planning

Merchandise planning is a strategic process in order to increase profits. This includes long-term planning of setting sales goals, margin goals, and stocks.

Step 1 - **Define merchandise policy**. Get a bird's eye view of existing and potential customers, retail store image, merchandise quality and customer service levels, marketing approach, and finally desired sales and profits.

Step 2– Collect historical information. Gather data about any carry-forward inventory, total merchandise purchases and sales figures.

Step 3 – Identify Components of Planning.

Customers – Loyal customers, their buying behavior and spending power.

Departments – What departments are there in the retail business, their subclasses?

Vendors – Who delivered the right product on time? Who gave discounts? Vendor's overall performance with the business. o Current Trends – Finding trend information from sources including trade publications, merchandise suppliers, competition, other stores located in foreign lands, and from own experience.

Advertising – Pairing buying and advertising activities together, idea about last successful promotions, budget allocation for Ads.

Step 4 – Create a long-term plan. Analyze historical information, predict forecast of sales, and create a long-term plan, say for six months.

Merchandise buying activity involves the following steps:

1 - Collect Information:

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

112

2 - Determine Merchandise Sources:

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

3 - Evaluate the Merchandise Items:

By going through sample products, or the complete lot of products, assess the products for quality.

4 - Negotiate the Prices:

Realize a good deal of purchase by negotiating prices for bulk purchase.

5 - Finalize the Purchase:

Finalizing the product prices and buying the merchandise by executing buying transaction.

6 - Handle and Store the Merchandise:

Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.

7 - Record the Buying Figures:

Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

Vendor Relations

Cordial relationship with the vendor can be a great asset for the business. A strong rapport with vendors can lead to:

- Purchasing products when required and paying the vendor for it later according to credit terms.

- Getting the latest new products in the market at discount prices or before other retailers can sell them.

- Having a great service of delivery, timeliness of delivery, returning faulty products with exchange, etc

Merchandise Performance

The following methods are commonly practiced to analyze merchandise performance:

ABC Analysis

It is a process of inventory classification in which the total inventory is classified into three categories:

A – Extremely Important Items: Very crucial inventory control on order scheduling, safety, prompt inspection, consumption pattern, stock balance, refill demands.

B – Moderately Important Items: Average attention is paid to them.

C – Less important Items: Inventory control is completely stress free.

This approach of segregation gives importance to each item in the inventory. For example, the telescope retailing company might be having small market share but each telescope is an expensive item in its inventory. This way, a company can decide its investment policy in particular items.

Sell-Through Analysis

In this method, the actual sales and forecast sales are compared and the difference is analyzed to determine whether to apply markdown or to place a fresh request for additional merchandise to satisfy current demand.

This method is very helpful in evaluating fashion merchandise performance.

Multi-Attribute Method

This method is based on the concept that the customers consider a retailer or a product as a set of features and attributes. It is used to analyze various alternatives available with regard to vendors and select the best one, which satisfies the store requirements.

3.4   WAREHOUSING

Warehousing is an essential part of product distribution. Whenever a product is produced and exported to another country there arises a need for warehousing before making the final distribution of the product. These days companies are involved in international operation it may like store the items whose demand is likely to rise in future. A highly volatile price may make companies to use warehousing as a protection against losses. Some time market opportunities for certain products may escalate their demand for a short while; companies need to store such products in order to meet the higher demand. Certain type of products produced in a particular season but sold throughout the year. In order to meet the demand throughout the year, warehousing becomes very important. The following are the aims of warehousing.

Objectives of Warehousing

In general, the objectives of setting up of a warehouse are to support the broader logistics function by giving a combination of high customer service and low costs. More specific aims include the following:

- Providing necessary storage at key points in a supply chain

- Giving secure storage of the type needed by materials

- Keeping all materials in good condition and with minimal damage

- Giving high customer service

- Doing all necessary activities efficiently and with low costs

- Getting high productivity and utilization of resources

- Controlling all movements of materials effectively and without errors

- Sorting materials arriving and quickly transferring them into storage

- Picking materials departing, quickly transferring them out of storage and Consolidating deliveries

- Being able to store the whole range of materials needed

- Being flexible enough to deal efficiently with variations in stock levels

- Allowing for special conditions, rotation of stock, and so on

- Giving safe working conditions, and compliance with regulations

Types of Warehouses

The various types of warehouses are discussed as under:-

Commodity Warehouses

These warehouses limits their services to storing and handling certain commodities, such as lumber, cotton, tobacco, grain, and other products that easily spoil. Bulk Storage Warehouses Some warehouses offer storage and handling of products in bulk, such as liquid Chemicals, oil, highway salts, and syrups. They also mix products and break bulk as part of their service.

Temperature-Controlled Warehouses

These are warehouses that control the storage environment. Both temperature and humidity may be regulated. Perishables, such as fruits, vegetables and frozen foods, as well as dome chemicals and drugs, require this type of storage.

Household Goods Warehouses

Storage and handling of household items and furniture are the specialty of these warehouses. Although furniture manufacturers may use these warehouses, the major users are the household goods moving companies.

General Merchandise Warehouses

These warehouses, the most common type, handle a broad range of merchandise. The merchandise usually does not require the special facilities or the special handling as noted above.

Mini Warehouses

These are small warehouses, having unit space from 20 to 200 square feet and are often grouped together in clusters. They are intended as extra space, and few services are provided. Convenient location to renters is an attraction, but security may be a problem.

Private Warehouses

These are owned and managed by the channel suppliers (manufacturers/ traders) and resellers and are used exclusively for their own distribution activities.

Public Warehouses

These warehouses are owned by government and semi government bodies and are made available to private firms to store goods on payment of rent. They are set up to help small traders who are not in position to have their own warehouses.

Virtual Warehousing

An extension of the concept of a virtual inventory is the virtual warehouse. Whereas virtual inventories satisfy customer requests from alternate inventories in a company's logistic system, a virtual warehouse is one where not all items for sale are stocked in a company's warehouse. Rather, selected items are shipped directly to customers from supplier inventories with no intention of a company stocking them. Some items that are stock out in the warehouse may be handled in a similar manner. Consider a company such as Amazon, which stocks high volume book titles in its own warehouses but cannot practically stock low-volume and rare titles.

Alternatively, the handling is contracted to third parties or shipments are made directly from vendors. The result is that less investment is needed in the logistics infrastructure while high levels of customer service are maintained.

Activities within a Warehouse

Basic Activities

The basic function of a warehouse to to store goods. This means that they receive deliveries from upstream suppliers, do any necessary checking and sorting, store the materials until they are needed and then arrange delivery to downstream customers. The following are the list of activities offered by warehousing

- Receiving goods from upstream suppliers

- Identifying the goods, matching them to order and finding their intended use

- Unloading materials from delivery vehicles

- Doing necessary checks on quantity, quality and condition

- Labeling materials usually with bar codes so they can be identified

- Sorting goods as needed

- Moving goods to bulk storage area

- Holding them in stock until needed

- When necessary, moving materials from bulk storage to a smaller picking store

- Picking materials from this sore to meet orders

- Moving the materials to a marshalling area

- Assembling materials into orders

- Packing and packaging as necessary

- Loading delivery vehicles and dispatching the order

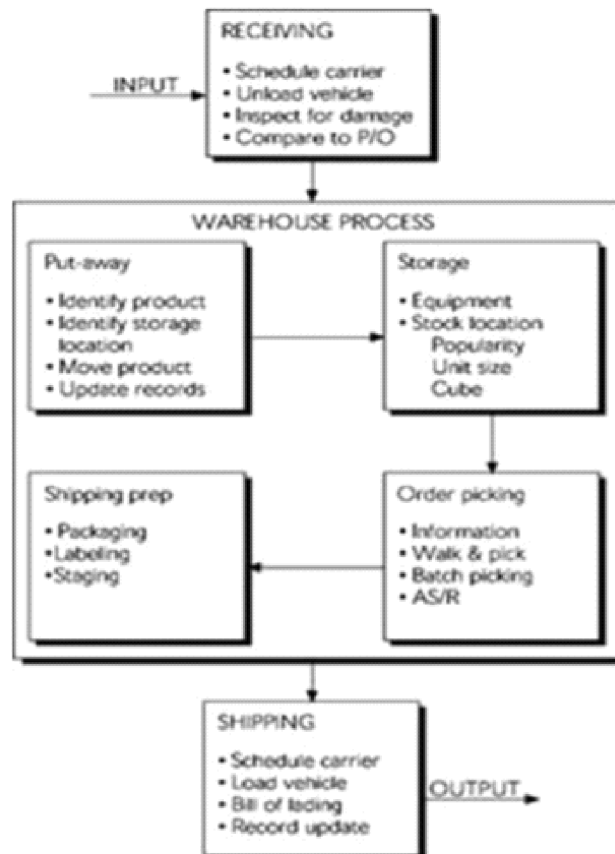- Controlling all communications and related systems, such as inventory control and finance

Other activities in warehouses

Traditionally warehouses were seen as places for the long-term storage of goods.

Now organizations try to move materials quickly through the supply chain, so their role has changed.

They are now viewed more as staging points through which materials move asquickly as possible. As their role is long-term storage has decreased, they have becomeconvenient locations to do a range of other jobs. They are, for example, the best place forsorting materials, packing and consolidating deliveries.

RECEIVING
- Schedule carrier
- Unload vehicle
- Inspect for damage
- Compare to P/O

INPUT

WAREHOUSE PROCESS

Put-away
- Identify product
- Identify storage location
- Move product
- Update records

Storage
- Equipment
- Stock location
  - Popularity
  - Unit size
  - Cube

Shipping prep
- Packaging
- Labeling
- Staging

Order picking
- Information
- Walk & pick
- Batch picking
- AS/R

SHIPPING
- Schedule carrier
- Load vehicle
- Bill of lading
- Record update

OUTPUT

Activities within a Warehouse

Materials Handling at Warehouses

A lot of the work in a warehouse moves materials from one location to another.

Everything has to be taken from delivery vehicles, moved around the warehouse – often several times and eventually put onto departing vehicles.

The activities involved form part of materials handling. Every time an item is moved its costs money, takes time, and gives an opportunity for damage or mistake. Efficient warehouses reduce the amount of movement to a minimum, and make the necessary movements as efficient as possible.

119

Some objectives of materials handling include

o   Moving materials around a warehouse as required

o   Moving materials quickly, reducing the number and length of movements

o   Increasing storage density, by reducing the amount of wasted space

o   Reducing costs, by using efficient operations

o   Making few mistakes, with efficient material management systems

Most materials handling take place in the warehouses either in hand or with little equipment like trolleys and baskets. Other warehouses have forklift trucks and cranes for moving heavy items. In today scenario manual, mechanized and automated warehouses managing the goods.

Manual Warehouses

This is probably the easiest arrangement to imagine, and is still one of the most common. Items are stored on shelves or in bins. People go around and pick items from the shelves, and put them into some sort of container for movement like super market trolley.

There may be some aids like hand trucks for moving pallets, or carousels to bring materials to pickers, but essentially people control all aspects of movements.

Mechanized Warehouses

Mechanized warehouses replace some of the muscle power of manual warehouses by machines. Typical example of mechanized equipment's are reach trucks, order pickingmachines, forklift trucks, cranes, conveyors, tractors or trains, carousals etc.,

Automated Warehouses

Traditional warehouses, even mechanized ones, tend to have high operating costs.

These operating costs can be reduced, as well as improving aspects of service, by using automation. Unfortunately, this needs a very high investment in equipment, and is onlyreally worthwhile for very big stores that move large amounts of materials.

Automated warehouses work in the usual way, but they include the following components automatic equipment to access storage areas, equipment to move materialsaround the warehouse, equipment to automatically pick materials, equipment to transfermaterials, management system to record material location and control all movements.

3.5   SUPPLY CHAIN MANAGEMENT

Supply Chain Management (SCM) is the management of materials, information, and finances while they move from manufacturer to wholesaler to retailer to consumer. It involves the activities of coordinating and integrating these flows within and out of a retail business.

In commerce, supply chain management, the management of flow of goods and service, involves the movement and storage of raw materials, work in progress inventory and finished goods from point of origin to point of consumption.
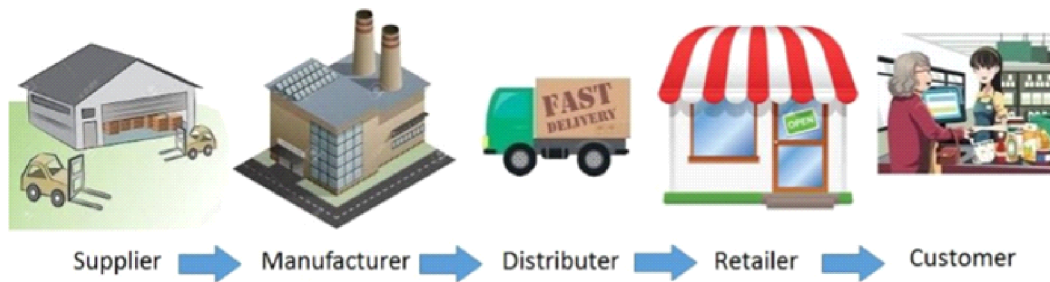
Most supply chains operate in collaboration if the suppliers and retail businesses are dealing with each other for a long time. Retailers depend upon supply chain members to a great extent. If the retailers develop a strong partnership with supply chain members, it can be beneficial for suppliers to create seamless procedures, which are difficult to imitate.

The following are five basic components of SCM.

1.   Plan

2.   Develop (Source)

3.   Make

4.   Deliver

5.   Return.

(i)   Plan

The first stage in supply chain management is known as plan. A plan or strategy must be developed to address how a given good or service will meet the needs of the customers. A significant portion of the strategy should focus on planning a profitable supply chain.

This is the strategic portion of SCM. Companies need a strategy for managing all the resources that go toward meeting customer demand for their product or service. A big piece of SCM planning is developing a set of metrics to monitor the supply chain so that it is efficient, costs less and delivers high quality and value to customers.

(ii)   Develop (Source)

Develop is the next stage in supply chain management .It involves building a strong relationship with suppliers of the raw materials needed in making the product the company delivers. This phase involves not only identifying reliable suppliers but also planning methods for shipping, delivery, and payment.

Companies must choose suppliers to deliver the goods and services they need to create their product. Therefore, supply chain managers must develop a set of pricing, delivery and payment processes with suppliers and create metrics for monitoring and improving the relationships. And then, the managers of SCM can put together processes for managing their goods and services inventory, including receiving and verifying shipments, transferring them to the manufacturing facilities and authorising supplier payments.

(iii)   Make

At the third stage, i.e. make, the product is manufactured, tested, packaged, and scheduled for delivery. This is the manufacturing step. Supply chain managers schedule the activities necessary for production, testing, packaging and preparation for delivery. This is the most metric-intensive portion of the supply chain - one where companies are able to measure quality levels, production output and worker productivity.

(iv)   Deliver

Then, at the logistics phase, customer orders are received and delivery of the goods is planned. This fourth stage of supply chain management stage is aptly named deliver.

Many SCM insiders refer thie part as logistics, where companies coordinate the receipt of orders from customers, develop a network of warehouses, pick carriers to get products to customers and set up an invoicing system to receive payments.

(v)   Return

The final stage of supply chain management is known as return. As the name suggests, during this stage, customers may return defective products. The company will also address customer questions in this stage.

This can be a problematic part of the supply chain for many companies. Supply chain planners have to create a responsive and flexible network for receiving defective and excess products back from their customers and supporting customers who have problems with delivered products.

3.6   ROLE OF IT IN SUPPLY CHAIN MANAGEMENT

Companies that opt to participate in supply chain management initiatives accept a specific role to enact. They have a mutual feeling that they, along with all other supply chain participants, will be better off because of this collaborative effort. The fundamental issue here is power. The last two decades have seen the shifting of power from manufacturers to retailers.

When we talk about information access for the supply chain, retailers have an essential designation. They emerge to the position of prominence with the help of technologies. The advancement of inter organizational information system for the supply chain has three distinct benefits. These are discussed as under :

- **Cost reduction** The advancement of technology has further led to ready availability of all the products with different offers and discounts. This leads to reduction of costs of products.

- **Productivity** The growth of information technology has improved productivity because of inventions of new tools and software. That makes productivity much easier and less time consuming.

- **Improvement and product/market strategies** Recent years have seen a huge growth in not only the technologies but the market itself. New strategies are made to allure customers and new ideas are being experimented for improving the product.

It would be appropriate to say that information technology is a vital organ of supply chain management. With the advancement of technologies, new products are being introduced within fraction of seconds increasing their demand in the market. Let us study the role of information technology in supply chain management briefly.

The software as well as the hardware part needs to be considered in the advancement and maintenance of supply chain information systems. The hardware part comprises computer's input/output devices like the screen, printer, mouse and storage media. The software part comprises the entire system and application program used for processing transactions management control, decision-making and strategic planning.

Here we will be discussing the role of some critical hardware and software devices in SCM. These are briefly discussed as under:

(i)   Electronic Commerce

Electronic commerce involves the broad range of tools and techniques used to conduct business in a paperless environment. Hence it comprises electronic data interchange, e-mail, electronic fund transfers, electronic publishing, image processing, electronic bulletin boards, shared databases and magnetic/optical data capture.

Electronic commerce helps enterprises to automate the process of transferring records, documents, data and information electronically between suppliers and customers, thus making the communication process a lot easier, cheaper and less time consuming.

(ii)   Electronic Data Interchange

Electronic Data Interchange (EDI) involves the swapping of business documents in a standard format from computer-to-computer. It presents the capability as well as the practice of exchanging information between two companies electronically rather than the traditional form of mail, courier, & fax.

The major advantages of EDI are as follows "

- Instant processing of information

- Improvised customer service

- Limited paper work

- High productivity

- Advanced tracing and expediting

- Cost efficiency

- Competitive benefit

- Advanced billing

The application of EDI supply chain partners can overcome the deformity and falsehood in supply and demand information by remodeling technologies to support real time sharing of actual demand and supply information.

(iii)   Barcode Scanning

We can see the application of barcode scanners in the checkout counters of super market. This code states the name of product along with its manufacturer. Some other practical applications of barcode scanners are tracking the moving items like elements in PC assembly operations and automobiles in assembly plants.
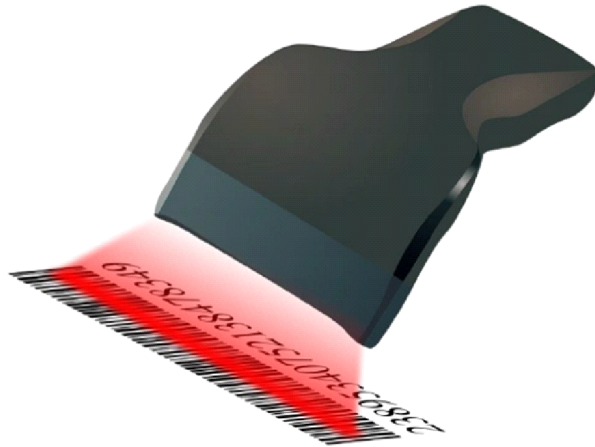
(iv)   Data Warehouse

Data warehouse can be defined as a store comprising all the databases. It is a centralized database that is prolonged independently from the production system database of a company.

Many companies maintain multiple databases. Instead of some particular business processes, it is established around informational subjects. The data present in data warehouses is time dependent and easily accessible. Historical data may also be accumulated in data warehouse.

**(v)   Enterprise Resource Planning(ERP) Tools**

The ERP system has now become the base of many IT infrastructures. Some of the ERP tools are Baan, SAP, PeopleSoft. ERP system has now become the processing tool of many companies. They grab the data and minimize the manual activities and tasks related to processing financial, inventory and customer order information.

ERP system holds a high level of integration that is achieved through the proper application of a single data model, improving mutual understanding of what the shared data represents and constructing a set of rules for accessing data.

With the advancement of technology, we can say that world is shrinking day by day. Similarly, customers' expectations are increasing. Also companies are being more

prone to uncertain environment. In this running market, a company can only sustain if it accepts the fact that their conventional supply chain integration needs to be expanded beyond their peripheries.

ERP

Common database serving multiple functional areas
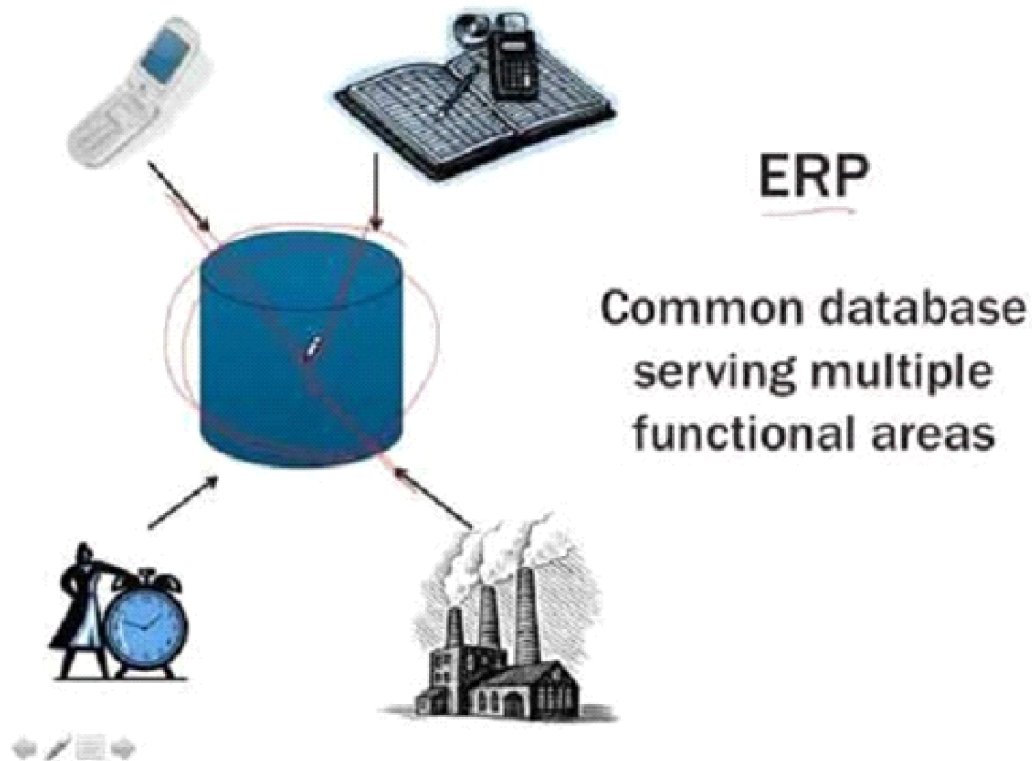
The strategic and technological interventions in supply chain have a huge effect in predicting the buy and sell features of a company. A company should try to use the potential of the internet to the maximum level through clear vision, strong planning and technical insight. This is essential for better supply chain management and also for improved competitiveness.

We can see how Internet technology, World Wide Web, electronic commerce etc. has changed the way in which a company does business. These companies must acknowledge the power of technology to work together with their business partners.

We can in fact say that IT has launched a new breed of SCM application. The internet and other networking links learn from the performance in the past and observe the historical trends in order to identify how much product should be made along with the best and cost effective methods for warehousing it or shipping it to retailer.

3.7 ONLINE LOGISTIC MANAGEMENT

In the background of changing situation on local and global markets of delivery and sales companies more often use the Internet tools, letting realization of electronic transactions with partners in supply chain. Changes in management of supply chain happen with development of clients' needs and technological possibilities of cooperating partners. Globalization of economic companies' cooperation (especially in delivery, production and distribution processes), technological growth and innovative manners of economic activity, as well as stronger competition and shorter products life cycles on markets have caused pressure on changes of dimensions of supply chains' acts — shorter time of order's realization, global scope of activity, bigger elasticity and durability. One of fundamental tool of supporting business processes became electronic data interchange through the Internet. It has caused epoch-making change for clients' values — independent access to information about products' flow and localization of supply chain's partners.

1. FUNDAMENTS OF E-LOGISTICS

E-logistics can be defined as the application of Internet based technologies to traditional logistics processess or web based applications and services dealing with the efficient transport, distribution and storage of products along with the supply and demand chain.

In the background of changing situation on local and global markets of delivery and sales companies more often use the Internet tools, letting realization of electronic transactions with partners in supply chain. Changes in management of supply chain happen with development of clients' needs and technological possibilities of cooperating partners. Globalization of economic companies' cooperation (e.g. in delivery, production and distribution processes), technological growth and innovative manners of economic activity, as well as stronger competition and shorter products

life cycles on markets have caused pressure on changes of dimensions of supply chains' acts — shorter time of order's realization, global scope of activity, bigger elasticity and durability. One of the fundamental tools of supporting business processes have become electronic data interchange through the Internet. It has caused an epoch-making change for clients' values — an independent access to information about products' flow and localization of supply chain's partners

The growth of share of electronic commerce in commerce in general (all over the world and in

Poland) has caused a need of an online access to logistic services amid suppliers and recipients on market. Growth of electronic commerce evaluating towards e-business has brought about a natural need of the growth of processes of the commodity flow service, in the area of the company front-office (e.g. sales, marketing, client service), as well as back-office (purchasing, warehousing, transport, production and co-production). The electronic data interchange between partners let them cooperate in real time and create an integrated supply chain. Efficient, reliable and effective functioning of supply chains requires beyond good management of physical products flow, set under functional and organizational aspect, a system of information flow (flow and computerization).

Experiences achieved up to the present in the area of e-business enable to distinguish the

Following business models which define relations of market's partners:

1. **A business to business model (B2B)** — this model embraces main economic contacts, it means their preparation, assessment of partners' risk, negotiating and realization of order until full payment.

2. **A business to customer model (B2C)** — it concerns financial services (e.g. electronic banking, insurances, investment funds), non-financial services (e.g. touristic services) and trade centers (the Internet shops).

3. **A customer to customer model (C2C)** — this model mainly includes hobby contacts or attendance in auctions.

Evaluating towards virtual organization a company could achieve bigger effectiveness, extend

Its sources base and join new markets all over the world. Main advantages of e-business are

- lower costs of functioning,
- efficient management of the supply chain,
- shorter time cycles and quicker reaching the market by product,
- new possibilities of promotion,
- improvement of client services,
- Extended productivity of employees.

Partners in global chains and delivery nets use many present solutions of e-logistics to service business activity. Electronic services of logistic processes run by companies in the supply chain require the use of many electronic tools accessible through the Internet. It has brought about functional separation in the framework of e-economy in many areas of electronic services available through the Internet, e.g. e-purchasing, e-production, e-commerce, elogistics, e-marketing, etc.

However, many trials have been done e-logistics term does not have one agreed definition. It is concerned that e-logistics means the use of systems, informatics tools and the Internet as communication medium to service logistic processes

The most often used tools of cooperation in the virtual scope of e-logistics are

- The Internet portal,
- Electronic platform,
- Electronic catalogue,
- Data warehouses,

- Information services,

- Systems of offers and purchasing,

- Transactions systems,

- Systems and communication tools,

- Systems and software, e.g. applications of supply chains' planning, dictionaries, digital maps, e-learning systems, etc.
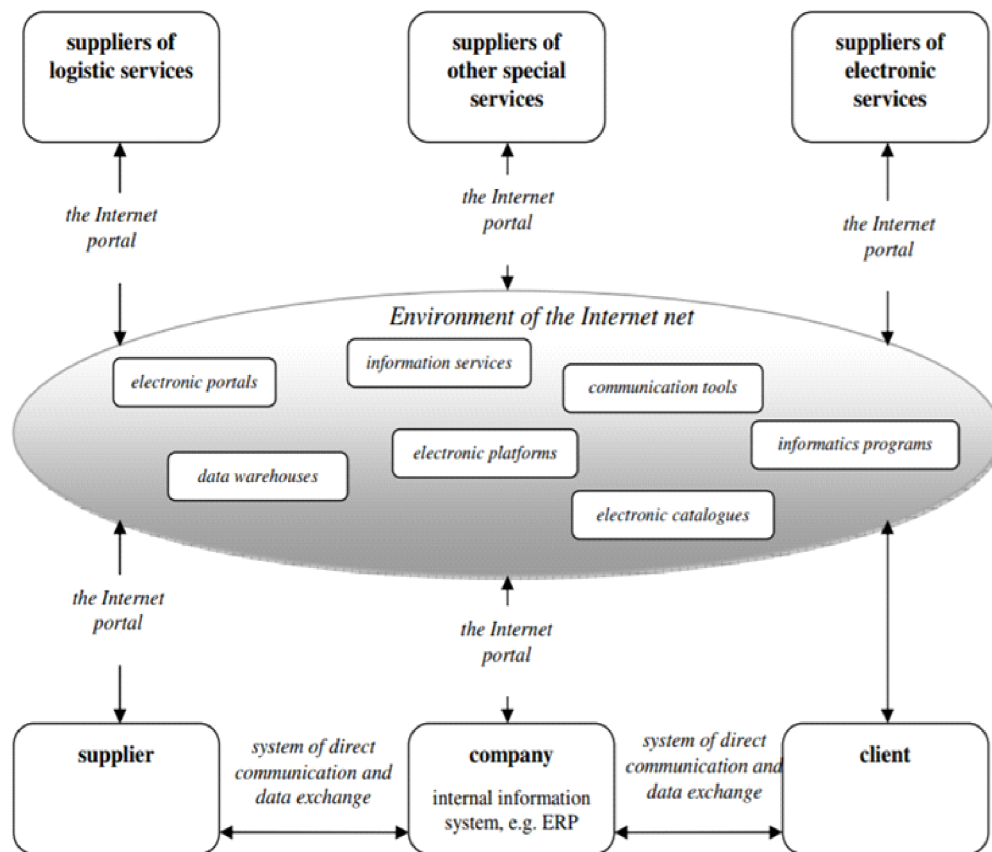

Fig. 1. Example of e-logistics environment

3.8   RETAIL PRICING

Retail pricing is one of the most challenging tasks undertaken by retail manager. The pricing decision are not only important from the financial view point but also from the demand aspect.

"The bitterness of poor quality remains a long after low price is forgotten."
- Leon M. Cautillo

We as customers, often get to read advertisements from various retailers saying, "Quality product for right price!" This leads to following questions such as what is the right price and who sets it? What are the factors and strategies that determine the price for what we buy?

The core capability of the retailers lies in pricing the products or services in a right manner to keep the customers happy, recover investment for production, and to generate revenue.

What is Retail Pricing ?

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

Retail prices are affected by internal and external factors.

Internal Factors

Internal factors that influence retail prices include the following:

•   **Manufacturing Cost**: The retail company considers both, fixed and variable costsof manufacturing the product. The fixed costs does not vary depending upon theproduction volume. For example, property tax. The variable costs include varyingcosts of raw material and costs depending upon volume of production. For example,labor.

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

- **Image of the Firm**: The retail company may consider its own image in the market.

  For example, companies with large goodwill such as Procter & Gamble can demand a higher price for their products.

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

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

External Factors

External prices that influence retail prices include the following:

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

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

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

- **Market Conditions**: If market is under recession, the consumers buying pattern changes. To modify their buying behavior, the product prices are set less.

- **Levels of Channels Involved**: The retailer has to consider number of channels involved from manufacturing to retail and their expectations. The deeper the level of channels, the higher would be the product prices.

Demand-Oriented Pricing Strategy

The price charged is high if there is high demand for the product and low if the demand is low. The methods employed while pricing the product on the basis of demand are:

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

- **Odd Even Pricing**: The customers perceive prices like 99.99 to be cheaper than 100.

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

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

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

3.9 CREDIT MANAGEMENT

CONCEPT OF CREDIT

The word 'credit' has been derived from the Latin word credo which means 'I believe' or 'I trust' which signifies a trust or confidence reposed in another person. The term credit means, reposing trust or confidence in somebody. In economics, it is interpreted to mean, in the same sense, trusting in the solvency of a person or making a payment to a person to receive it back after some time or lending of money and receiving of deposits etc.

In other words, the meaning of credit can be explained as, A contractual agreement in which, a borrower receives something of value now and agrees to repay the lender at some later date. The borrowing capacity provided to an individual by the banking system, in the form of credit or a loan. The total bank credit the individual has is the sum of the borrowing capacity each lender bank provides to the individual.

> **Prof. Kinley** defined "By credit, we mean the power which one person has to induce another to put economic goods at his deposal for a time on promise or future payment. Credit is thus an attribute of power of the borrower."

> **Prof. Gide:** "It is an exchange which is complete after the expiry of a certain period of time".

Prof. Cole: "Credit is purchasing power not derived from income but created by financial institutions either as on offset to idle income held by depositors in the bank or as a net addition to the total amount or purchasing power."

Prof. Thomas: "The term credit is now applied to that belief in a man s probability and solvency which will permit of his being entrusted with something of value belonging to another whether that something consists, of money, goods, services or even credit itself as and when one may entrust the use of his good name and reputation." On the basis of above definitions it can be said that credit is the exchange function in which, creditor gives some goods or money to the debtor with a belief that after sometime he will return it. In other words 'Trust is the Credit'.

Vasant Desai: "To give or allow the use of temporarily on the condition that some or its equivalent will be returned."

Characteristics of Credit: Some characteristics of credit are of prime importance while extending credit to an individual or to a business enterprise and they are discussed as under:-

- **Confidence:** Confidence is very important for granting or extending any credit. The person or authority must have confidence on debtor.

- **Capacity**: Capacity of the borrower to repay the debt is also very crucial thing to be considered. Before granting or extending any advance, creditor should evaluate the borrower s capacity.

- **Security**: Banks are the main source of credit. Before extending credit, bank ensures properly about the debtor s security. The availability of credit depends upon property or assets possessed by the borrower.

- **Goodwill:** If the borrower has good reputation of repaying outstanding in time, borrower may be able to obtain credit without any difficulty.

- **Size of credit**: Generally small amount of credit is easily available than the larger one. Again it also depends on above factors.

135

- **Period of credit:** Normally, long term credit cannot easily be obtained because more risk elements are involved in its security and repayments.

Features of Commercial Bank Credit:

1. Banks provide credit majority to trade and industries than agriculture. Because of the greater risks and inability of agriculturists to furnish good security.

2. The short term loans are given for the seasonal needs and working capital requirements.

3. Short term loans may be in the form of cash credit and overdraft, demand loans and the purchase and discount of bills. Among these, cash credit and overdraft are the most popular.

4. Indian banks sanction loans against sound security.

5. Banks take all possible protective steps to minimize their risks while granting loans to the firms.

Types of Credit :

The credit assistance provided by a banker is mainly of two types, one is fund based credit support and the other is non-fund based. The difference between fund based and non-fund based credit assistance provided by a banker lies mainly in the cash out flow. Banks generally allow fund based facilities to customers in any of the following manners. ?

Traditional Credit Products :

1. **Cash credit:** Cash credit is a credit that given in cash to business firms. A cash credit account is a drawing account against a fixed credit limit granted by the bank and is operated exactly in the same manner as a current account with all overdraft facilities. It is an arrangement by which, a bank allows its customers to borrow money up to a certain limit against tangible securities or share of approved concern etc. cash credits are generally allowed against the hypothecation of goods/ book debts or personal security. Depending upon the nature of requirement of a borrower, bank specifies a limit for the customer, up to which the customer is permitted to

borrow against the security of assets after submission of prescribed terms and conditions and keeping prescribed margin against the security. It is on demand based account. The borrowing limit is allowed to continue for years if there is a good turnover in account as well as goods. In this account deposits and withdrawals may be affected frequently. In India, cash credit is the most popular mode of advance for businesses.

2. **Overdraft:** A customer having current account, is allowed by the banks to draw more than his deposits in the account is called an overdraft facility. In this system, customers are permitted to withdraw the amount over and above his balance up to extent of the limit stipulated when the customer needs it and to repay it by the means of deposits in account as and when it is convenient. Customer of good standing is allowed this facility but customer has to pay interest on the extra withdrawal amount.

3. **Demand loans:** A demand loan has no stated maturity period and may be asked to be paid on demand. Its silent feature is, the entire amount of the sanctioned loan is paid to the debtor at one time. Interest is charged on the debit balance.

4. **Term loans:** Term loan is an advance for a fixed period to a person engaged in industry, business or trade for meeting his requirement like acquisition of fixed assets etc. the maturity period depends upon the borrower s future earnings. Next to cash credit, term loans are assumed of great importance in an advance portfolio of the banking system of country.

5. **Bill purchased:** Bankers may sometimes purchase bills instead of discounting them. But this is generally done in the case of documentary bills and that too from approved customers only. Documentary bills are accompanied by documents of title to goods such as bills of loading or lorry and railway receipts. In some cases, banker advances money in the form of overdraft or cash credit against the security of such bills. Bill discounted: Banker loans the funds by receiving a promissory note or bill payable at a future date and deducting that from the interest on the amount of the instrument. The main feature of this lending is that the interest is received by the banker in advance. This form of lending is more or less a clean advance and banks rely mainly on the creditworthiness of the parties.

Innovative Credit Products:

Since the liberalization period there have been drastic changes in the way loans have been granted to individual customers and businessmen. The changing pattern of banks from universal to branch banking after the liberalization period also forced banks to adopt easy lending. Due to the increase in the number of mergers and acquisitions in this sector, expectation went very high. Banks have come under immense pressure to meet the targets of deposits and loans. Post globalization, liberalization and privatization, bankers began to focus on both corporate and retail banking activities. The international financial markets have witnessed a sea change in the last decade. Banks are likely to undergo more changes in the future. In view of these developments, banks in India are also adopting certain new practices and technology based services to cater to the needs of people. This is because it enables customers to perform banking transactions at their convenience. Technology has supported the development of financial service industry and reduced the cycle of money to the shortest possible duration. A number of financial institutions, including banks have started online services. The growth of innovative retail products offered by Indian banks is increasing sharply.

1. **Credit cards:** Credit cards are alternative to cash. Banks allow the customers to buy goods and services on credit. The card comprises different facilities and features depending on the annual income of the card holder. Plastic money has played an important role in promoting retail banking.

2. **Debit cards:** Debit card can be used as the credit card for purchasing products and also for drawing money from the ATMs. As soon as the debit card is swiped, money is debited from the individual s account.

3. **Housing loans:** Various types of home loans are offered by the banks these days for purchasing or renovating house. The amount of loan given to the customer depends on the lending policies and repayment capacity of the customer. These loans are usually granted for a long period.

4. **Auto loans:** Auto loans are granted for the purchase of car, scooter etc. it may be granted for purchasing vehicle.

5. **Personal loans:** This is an excellent service provided by the banks. This loan is granted to the individuals to satisfy their personal requirements without any substantial security. Many banks follow simple procedure and grant the loan in a very short period with minimum documents.

6. **Educational loans:** This loan is granted to the student to pursue higher education. It is available for the education within the country or outside the country.

7. **Loans against securities:** These loans are provided against fixed deposits, shares in demat form, bonds, mutual funds, life insurance policy etc.

8. **Consumption loans for purchase of durables:** Banks fulfill the dreams and aspirations by providing consumer durable loans. These loans can be borrowed for purchasing television, refrigerator, laptop, mobile etc.

9. **Hybrid loan products:** For improving the business environment and to win in the competition, banks must adopt new technologies. With fluctuating interest rates and inflation, there is a need for the banks to protect the interest of the borrowers. So banks now offer hybrid products to their customers. These products have the virtues of both fixed and floating interest rate loans. The products introduced by the different banks have their own distinctive features

Advantages of Credit :

Credit plays an important role in the gross earnings and net profit of commercial banks and promotes the economic development of the country. The basic function of credit provided by banks is to enable an individual and business enterprise to purchase goods or services ahead of their ability. Today, people use a bank loan for personal reasons of every kind and business venture too. The great benefit of credit with a bank is probably very low interest rates. Majority people feel comfortable lending with bank because of familiarity.

1. **Exchange of ownership:** Credit system enables a debtor to use something which does not own completely. This way, debtor is provided with control as distinct from ownership of certain goods and services.

2. **Employment encouragement:** With the help of bank credit, people can be encouraged to do some creative business work which helps increasing the volume of employment.

3. **Increase consumption:** Credit increases the consumption of all types of goods. By that, large scale production may stimulate which leads to decrease cost of production which in turn also lowers the price of product which in result rising standard of living.

4. **Saving encouragement:** Credit gives encouragement to the saving habit of the people because of the attraction of interest and dividend.

5. **Capital formation:** Credit helps in capital formation by way that it makes available huge funds from able people to unable people to use some things. Credit makes possible the balanced development of different regions.

6. **Development of entrepreneurs:** Credit helps in developing large scale enterprises and corporate business. It has also helped the different entrepreneurs to fight with difficult periods of financial crisis. Credit also helps the ordinary consumers to meet requirements even in the inability of payment. One can borrow money and grow business at a greater return on investment than the interest rates of loan.

7. **Easy payment:** With the help of various credit instruments people can pay without much difficulty and botheration. Even the international payments have been facilitated very much.

8. **Elasticity of monetary system:** Credit system provides elasticity to the monetary system of a country because it can be expanded without much difficulty. More currency can be issued providing for proportionate metallic reserves.

9. **Priority sector development:** Credit helps in developing many priority sectors including agriculture. This has greatly helped in rising agriculture productivity and income of the farmers. Banks in developing countries are providing credit for development of SSI in rural areas and other priority sectors too.

Disadvantages of Credit :

Credit is a mixed consent. It involves certain advantages and some dangers also at the same time. Credit is useful as well as harmful to the user even. So it should be used very cautiously otherwise it may spoil all industries and enterprises. Credit, if not properly regulated and controlled it has its inherent dangers.

1. **Encouragement of expenditure:** Credit encourages wasteful expenses by the individuals as well as commercial institutions. As people irresponsibly think that the money is not their own. Easy availability leads to over trading over exposure that ultimately leads to bad debts.

2. **Encourage weakness:** Credit encourages big entrepreneurs to continue to hide their weakness. Their own shortcomings are met by the borrowed capital. Even the loosing concerns continue with the help of borrowed capital in the hope to survive. In this condition, if business fails, it not only leads the borrowers in dangers but also thousands of those people who advanced credit to such people.

3. **Economic crisis:** In several occasions credit is directly responsible for economic crisis. It leads to recession and depression in an economy as boom of credit facilities has its own evil effect on the economy. Financially weak concern having credit facility takes the economy to weaker effects.

4. **Dangers beyond limit:** Credit in a country expanded beyond certain limits which results in over investment. Over issue credit takes beyond safe limits that result in over investment, over production and rise of prices. This danger has been emphasized by Prof. Thomas in his „Elements of Economics, in his words: "There is no automatic limit to the expansion of a credit system as there is to an expansion of a metallic circulation through the intervention of human element. Uncertainty and variableness is the chief source of danger in a credit organization".

5. **Evil of monopoly:** Credit system has also resulted in the creation of monopolies; monopolistic exploitation is due to money placed at the disposal of individuals or companies that leads to monopolist exploitation. The different organizations have growth with the emergence of credit and have worked to the damage of both the consumers and the workers.

6. **Encourage inefficient:** Credit gives encouragement to certain inefficient and worthless producers. Inefficient business concerns availing the credit and not using efficiently, accumulate money in their hands. People come into the market with the feeling that they have nothing to do but just to play only with other s money.

So, by this it can be said that it is clear that the government or the central banking authorities must keep the credit within limit so that no evil is allowed to crop up in the economy.

Role of Credit in an Economy

Commercial banks continue to remain in the forefront of Indian financial system. Banks provide necessary finance for planned development. In developed and developing countries both, credit is the foundation upon which the economic structure is strengthening. Bank credit would play a significant role by influencing the types of commodities and quantum of their output. To achieve high rate of economic growth over a long period, agriculture and industrial credit should be increased. At the time of sanctioning the credit, the purpose should be investigated by the bank to ensure that the end use of funds confirms to overall national objectives. Banks also give credit to the priority and neglected sectors by which the sectoral development can be possible. Easy availability of credit promotes the entrepreneurial and self employment venture in the country. Credit instruments are used as media of exchange in place of metallic or paper currency. These instruments are more effective and convenient in all business transactions. Bank credit provides assistance to production and business process. Institutional credit provides a ready flow of money to the business. Bank credit fulfills the capital requirement of an entrepreneur which increases the production at higher level by which production cost decreases and as a result price of product also decreases that affects the economy positively. Credit provides financial ability to use

advanced technology in the production. So the quality of production and product may increase. And business can survive in an international market too. Credit makes common person to change into entrepreneur. Surplus fund utilized for credit bring return that further increase the volume of funds. Credit makes it easy and convenient for the consumers to purchase or hire durable goods. In the period of declining market, there is greater availability of cheaper source of funds through credit. Corporate borrowers paid greater attention towards banks for their financial requirements. This enables the entrepreneurs to run their business and day to day transactions very smoothly. Bank s power to create money is of great economic significance. This gives an elastic credit system which is necessary for steady economic progress. This system geared to the seasonal demands of business. Bank lending operation acts as a governor controlling the economic activity in the country. Bank lending is very important to the economy, as it makes possible the financing of the agricultural, industrial and commercial activities of the country. According to an economist, "Credit has done more to enrich nations than all the gold mines in the world put together."

3.10   RETAIL PROMOTION

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

In other words, Any communication by retailer that informs, persuades or reminds the target market about any aspect of that firm. The elements of Retail promotion strategy like sales promotion, store atmosphere website, personal selling, e-mail marketing, publicity, word of mooth etc are important to increase sales.

Promotional Objectives

• Increase sales

• Stimulate impulse and reminder buying

- Raise customer traffic

- Get leads for sales personnel

- Present and reinforce the retailer image

- Inform customers about goods and services

- Popularize new stores and Web sites

- Capitalize on manufacturer support

- Enhance customer relations

- Maintain customer loyalty

- Have consumers pass along positive information to friends and others

Retail promotion mix and its components

a) **Sales promotion:**

Sales promotion programs are used by a wide range of organizations in both the consumer and business markets, though the frequency and spending levels are much greater for FMCG goods. Sales promotion describes promotional methods using special short-term techniques to persuade customers of a target market to respond or make purchases. As a reward, retailers offer goods at an affordable price or provide with certain gift items.

Sales promotions are usually confused with advertising. For instance, a television advertisement mentioning a contest awarding winners with a free trip to a foreign country may give the contest the impression of advertising. While the delivery of the marketer's message through television media is certainly labeled as advertising, what is contained in the message, namely the contest, is considered a sales promotion.

(b) **Publicity:**

Publicity refers to any non-paid communication to promote an organization or its products and services in public media. The publicity differs from advertisement in following senses.

(i)   In case of advertisement, sponsor bears all the expenses while in publicity, media is not paid for the presentation.

(ii)   In advertisement, how the message will be shown, what text will be used and when and where it will be shown, everything by and large is in the control of the concerned company, whose products are to be shown and who is bearing the broadcasting expenses.

Objectives of publicity:

1.   It assists in the launch of new goods and services at mass level.

2.   It creates interest in the goods and services category.

3.   Publicity helps in reposting a mature product.

Advantages of publicity:

Publicity has the following advantages:

1.   The first advantage of publicity is that it is credible because nothing is paid for it and the presentation is entirely based on independent assessment.

2.   Publicity appeals to mass audience at a time.

3.   It costs nothing to an organization and is widely used means of promoting a product.

4.   As publicity is done in newspapers, magazines, journals and online newspapers etc., large number of general persons can be covered.

Methods of publicity :

There are various methods that can be employed to promote the product and / or its company. But the senior management has to decide what advertising vehicle should be selected on the basis of availability of funds, reach of the media, nature of competition and considering on whom the goods and services are aimed for.

These media include:

(i) Press publicity:

It means releasing news in the media about the company, its offerings etc.

(ii) Speech :

It implies giving presentations through speeches about the company and its goods and services etc.

(iii) Special events:

Sometimes, marketers organize some special events such as conferences, debates, seminars, workshops, awareness camps, games, quizzes, star nights, beauty contests, singing competitions etc.

(iv) Sponsorships:

Under this mode of publicity, company sponsors some social activities dedicated to public welfare like sponsoring health checkup camps, maintaining public parks, children parks, planting trees, blood donation camps, eye checkup / operation camps etc.

(c) Advertising:

Advertising is multidimensional. It is a form of mass communication, a powerful marketing tool, a component of the economic system, a means of financing the mass media, a social institution, and an art form, an instrument of business management, a field of employment and a profession.

Advertising may be sign, a symbol, an illustration, an ad message in a magazine or newspaper, a commercial on the radio or on television, a circular dispatched through mail or a pamphlet etc. Non – personal advertising would mean that it is not on a person-to-person basis. Goods, Services, Ideas for action would mean making a consumer aware about the product of the firm. Paid by an identified sponsor implies that the advertiser has to pay the media for the services it seeks.

(d)   Public Relations:

It is essentially an art of persuasion in order to influence people. The process includes human behavior and manner in which people react to certain situations. It is defined as "the management function which evaluates public attitude, identifies the policies and procedures of an organization for public interest and executes a programme of action (and communication) to earn public understanding and acceptance".

(e)   Personal Selling :

Personal Selling involves person-to-person communication with the prospect. It is a process of developing relationships, discovering needs, matching the appropriate products with these needs and communicating benefits through informing, reminding, or persuading. Personal selling is thus, considered as a process that adds value. The salesperson attempts to understand consumer's needs and fit the product to meet those needs.

3.11   TRAINING TO STAFF

Retail staff training is essential for even the smallest retail business. You want your staff to be up-to-date on all of the products you sell as well as best practices that improve sales and decrease common retail security issues like inventory theft. Here are some examples of how retail staff training can improve overall business performance.

- **Increases sales.** The most important reason to invest in retail staff training is so that your employees are well-informed on new products, sales techniques, and how to best deal with different personality types. Well-trained employees translate into happy customers, and happy customers are more likely to purchase items from your store on a regular basis

- **Positions you as an expert in your field.** An effective retail training program and the resulting employee confidence positions you as a professional and well-informed business. For example, let's say you sell craft beer in your local quickserve. With proper retail staff training, your

employees are now able to not only ring up transactions and restock shelves but also advise customers on pairings and the different flavor profiles of each beer. With available expertise such as this, you're not just selling beer, you're selling an experience, making customers more likely to frequent your business when they are in the mood for a few local brews.

- **Ensures consistent messaging.** Excellent retail staff training ensures your employees are familiar with your company's marketing strategy and convey a consistent brand message in-person and across online channels. The last thing you want is for your employees to be sending mixed messages to your customers that can hurt brand perception. This includes information on upcoming promotions and events but can also include details about the business mission and values

- **Improves employee morale.** When you invest in staff training, it's a sign to employees that you care about their growth and development. This goes a long way towards improving and maintaining employee morale. Even though it's your small business, most employees want to feel like they are a part of something bigger and are contributing towards a common goal. Find small ways to turn a part-time retail job into a life experience. The advantages of being a small business are that you can be more hands on with employees. Make sure your staff understands how they contribute to the overall success of your growing business.

- **Reduces employee turnover.** Improved morale helps with employee retention and reduces the costs associated with searching for, hiring, and training new staff. It turns out that lack of training is one one the top two reasons that employees quit their job and in a small retail operation, every employee counts. So if you invest in retail staff training for no other reason, it will still be worth your while.

- **Increases safety.** Whether you own a small boutique or the local bookstore, it is your responsibility as a small business owner to ensure the safety of your customers and employees. Teaching staff how to lift heavy racks and inventory without injuring themselves and demonstrating how to set up displays so that

employees and customers won't trip, can reduce your liability and help to create a safer store environment. Other potential hazards include blocked exit routes, unsafe storage and work areas and even human waste. At the very least you should ensure that you cover some of the most general Occupational Health and Safety Administration (OSHA) standards with employees.

How to Develop a Retail Staff Training Plan?

Putting together an effective training plan doesn't have to be time-consuming or difficult. To get the most bang for your buck (and time) consider the following best practices and retail staff training ideas:

- **Break the staff training up into modules.** Breaking up your staff training into easy-to-absorb retail training modules makes it less overwhelming for your employees and allows them to learn at their pace. Some employees will grasp everything the first time it's mentioned, and others will benefit from reading and reviewing aspects of your business on their own. It also helps to identify your employees learning style. Chat with staff to find out what experience they have and adapt your training accordingly.

- **Mix up your training methods.** Adding to our point above, not all of your employees will be able to learn in the same manner. Some learn best by hands-on learning, while others retain more when they read information. Mixing up your retail staff training methods not only helps keep sessions interesting, but also helps to make sure that everyone in the group can absorb the information easily.

- **Make it clear when best practices are flexible and when there is no wiggle room.** Allowing employees to have a measure of autonomy when it comes to solving customer issues and complaints can go a long way towards boosting your customer service level, as well as encouraging employee morale. However, some rules should never be bent, even for a good reason. A good example of a flexible policy can be the store's return policy. For instance, some retailers choose to handle returns on a case-by-case basis and allow employees to decide when to

accept or reject a return without manager approval. On the other hand, a rule that you might choose never to bend is a no return policy after 90 days. Just make sure that these rules are written down, consistent, and your employees can reference them easily

- **Remember that retail staff training is a continuous process.** It's also important to remember that training isn't just something you do when you hire a new employee. Products, procedures, and inventory will all change. For instance, you might adopt **a new POS system** that requires minimal staff training. Periodic sales, safety and policy training also help to reinforce what your employees learned during their initial training and will contribute to ensuring that all of your workers are provided with the same information.

Assessing and Adapting to Employee Learning Styles

As mentioned above, not every employee learns in the same way or at the same speed. When you have a small business, it's likely that some learning styles will be more heavily represented than others. That's why it's important to assess your employees' learning styles before designing or outsourcing your retail staff training program.

According to e-Learning industry, the **three leading types of learners** are aural learners, visual learners, and kinesthetic learners. Aural learners retain the most information when they listen to the material. Visual learners, as the name implies, learn best when they view or read information. While kinesthetic learners learn best by engaging their senses and by doing, rather than talking about, an action. For example, you might give employees an opportunity to practice lifting boxes correctly during a safety class rather than simply explaining the correct procedure.

Staff training methods run the gamut from traditional classroom learning to role-play to on-the-floor training. You can even augment your in-person training with computer modules that your employees can access at a time that is most convenient for them.

3.12 EMPLOYEE MOTIVATION

Every retail business owner knows the value of their workforce. Good employees sell more products, engage with customers in a genuine way, and act as brand ambassadors in the store and outside in their daily lives. But some retailers struggle with how to motivate employees and keep them that way.

A motivated sales staff is critical to the success of your company. The relationships they build with your clients and customers create the foundation of your organization — not just in terms of individual sales, but also your overall reputation and growth."

The first step in building an effective, motivated retail workforce is to hire the right people.

Once you have your employees hired and trained, the next challenge is to keep them engaged and working hard. As part of the retail management team, it's your job to motivate your employees. And motivated employees are more productive

Employee motivation is the level of energy, commitment and creativity that a company's workers bring to their jobs.

So, how do you keep your employees happy and motivated? some effective motivation methods that optimize productivity.

Invest in Your Employees

You've taken the time, money, and resources to hire your employees — now it's time to grow them. Investing in your employees through continued on-the-job training ensures that you have a well-trained staff, shows your employees that you care about their growth and career options, and increases the efficiency of your operations.

You can invest in your employees by providing seminars to grow their skills, sharing organization charts so employees can plan their future with your company, and promoting from within for supervisory and managerial roles.

Even big-box retailers like Walmart of taking note of these correlations. After Walmart raised its hourly pay to $10 in 2015, sales rose by $5 billion in the first six months of 2016. And a Harvard Business Review article further makes the case for such investments, pointing out that "highly successful retail chains—such as Quik-Trip convenience stores, Mercadona and Trader Joe's supermarkets, and Costco wholesale clubs—not only invest heavily in store employees but also have the lowest prices in their industries, solid financial performance, and better customer service than their competitors. They have demonstrated that, even in the lowest-price segment of retail, bad jobs are not a cost-driven necessity but a choice."

Rewards

A classic way to motivate employees is through incentives and rewards. Rewards can be small, like buying top weekly performers lunch, or providing gift cards for popular coffee shops to those who go above and beyond with customers. Loftier rewards like salary increases and bonuses are a great way to motivate employees to stay for the long run and strive to meet quarterly sales goals. You can provide bonuses based on exceptional performance reviews, to your top sales performers, or to employees who have stayed with the company for a certain amount of years, say five or ten.

You can also award prizes based on individual goals that employees set with their manager by tracking their progress through self-evaluations and performance reviews. Offer recognition through an Employee of the Month program that rewards staff members who surpass expectations, have exceptional attitudes, and exceed performance goals.

Gamification and Non-Monetary Incentives

Motivating your retail employees doesn't need to be all business — it can be fun too. Retail is an exciting industry, and that positivity and enthusiasm should be a part of your incentive program. Employees that enjoy coming into work and genuinely have a great time while they're there have a contagious energy that customers are sure to notice.

Engaging your employees doesn't have to always involve cash or financial rewards — get creative! Create short-term games that employees can take part in, like the first one to sell a new product gets to leave early, or whoever puts the most inventory away in a week gets to pick the background music on Sunday.

How to motivate employees, and some of the ways include:

- **Seminars, Master Classes, and Conferences:** Professional development opportunities are a great way to motivate employees while also helping them hone their skills.

- **Sleep in Day:** For those of us who find it tough to get out of bed, an incentive that allows an employee to sleep in a bit on a working day is a creative way to keep them engaged.

- **House Cleaning or Laundry Service:** Domestic chores can be a real, well, chore — so offer a lucky employee a chance to tick one of these tedious tasks off their to-do list. Offer 2 hours of professional house cleaning or arrange for a monthly pick-up laundry service to motivate them to meet their goals.

Keeping things fun and engaging is the job of management, and it's important for all supervisors to embody the attitude that you want your employees to mimic.

Secret Shoppers

One way to track the performance of your employees is through secret shopper programs, like Coyle, or by finding your own shoppers through part-time work marketplaces, like Monster. Mystery shoppers go through the retail experience in your store and report back, giving an honest, unfiltered review of how your employees performed.

If your employees are expecting secret shoppers on a regular basis, it motivates them to treat each and every customer as though management is watching the interaction. Secret shoppers are also a way to garner constructive feedback from the customer's perspective to rate employee performance and identify any gaps in customer service.

153

With the reports from the secret shoppers, you can set benchmarks that employees are expected to hit and reward those who exceed these expectations.

Performance Reviews

Employees motivated to do better need to know what is expected of them and where they stand. Once you've implemented the strategies to motivate your retail employees, make sure that you schedule regular check-ins to track their satisfaction and progress. Regular performance reviews in the form of one-on-one meetings with management are a great way to hear what your employees like about your incentive programs, what they think is working, and what they'd improve. Encourage management to meet with each direct report once a month for a formal meeting, and be available for more impromptu discussions throughout the week to address any issues that arise. For formal meetings ensure that managers file out the proper employee review paperwork and keep copies in each employee's HR file.

It's also the perfect time for your management team to outline what is expected of the employees and discuss strengths and areas of opportunity with each individual.

3.13 ORGANIZATIONAL CULTURE

Dimensions of Culture

All organisational culture encompasses values and behaviours that contribute to the unique social and psychological environment of a business.

Which values characterize an organization's culture? Even though culture may not be immediately observable, identifying a set of values that might be used to describe an organization's culture helps us identify, measure, and manage culture more effectively. For this purpose, several researchers have proposed various culture typologies. One typology that has received a lot of research attention is the *organizational culture profile* (OCP), in which culture is represented by seven distinct values (Chatman &Jehn, 1991; O'Reilly, Chatman, & Caldwell, 1991). We will describe the OCP as well as two additional dimensions of organizational culture that are not represented in that framework but are important dimensions to consider: service culture and safety culture.

Innovative Cultures

According to the OCP framework, companies that have innovative cultures are flexible and adaptable, and experiment with new ideas. These companies are characterized by a flat hierarchy in which titles and other status distinctions tend to be downplayed. For example, W. L. Gore & Associates Inc. is a company with innovative products such as GORE-TEX® (the breathable fabric that is windproof and waterproof), Glide dental floss, and Elixir guitar strings, earning the company the distinction of being elected as the most innovative company in the United States by *Fast Company* magazine in 2004. W. L. Gore consistently manages to innovate and capture the majority of market share in a wide variety of industries, in large part due to its unique culture. In this company, employees do not have bosses in the traditional sense, and risk taking is encouraged by celebrating failures as well as successes (Deutschman, 2004). Companies such as W. L. Gore, Genentech Inc., and Google also encourage their employees to take risks by allowing engineers to devote 20% of their time to projects of their own choosing.

Aggressive Cultures

Companies with aggressive cultures value competitiveness and outperforming competitors: By emphasizing this, they may fall short in the area of corporate social responsibility. For example, Microsoft Corporation is often identified as a company with an aggressive culture. The company has faced a number of antitrust lawsuits and disputes with competitors over the years. In aggressive companies, people may use language such as "We will kill our competition." In the past, Microsoft executives often made statements such as "We are going to cut off Netscape's air supply….Everything they are selling, we are going to give away." Its aggressive culture is cited as a reason for getting into new legal troubles before old ones are resolved. Recently, Microsoft founder Bill Gates established the Bill & Melinda Gates foundation and is planning to devote his time to reducing poverty around the world. It will be interesting to see whether he will bring the same competitive approach to the world of philanthropy.

Outcome-Oriented Cultures

The OCP framework describes outcome-oriented cultures as those that emphasize achievement, results, and action as important values. A good example of an outcome-oriented culture may be Best Buy Co. Inc. Having a culture emphasizing sales performance, Best Buy tallies revenues and other relevant figures daily by department. Employees are

trained and mentored to sell company products effectively, and they learn how much money their department made every day (Copeland, 2004). In 2005, the company implemented a results oriented work environment (ROWE) program that allows employees to work anywhere and anytime; they are evaluated based on results and fulfillment of clearly outlined objectives (Thompson, 2005). Outcome-oriented cultures hold employees as well as managers accountable for success and utilize systems that reward employee and group output. In these companies, it is more common to see rewards tied to performance indicators as opposed to seniority or loyalty. Research indicates that organizations that have a performance-oriented culture tend to outperform companies that are lacking such a culture (Nohria, Joyce, & Roberson, 2003). At the same time, some outcome-oriented companies may have such a high drive for outcomes and measurable performance objectives that they may suffer negative consequences. Companies overrewarding employee performance such as Enron Corporation and WorldCom experienced well-publicized business and ethical failures. When performance pressures lead to a culture where unethical behaviors become the norm, individuals see their peers as rivals and short-term results are rewarded; the resulting unhealthy work environment serves as a liability.

Stable Cultures

Stable cultures are predictable, rule-oriented, and bureaucratic. These organizations aim to coordinate and align individual effort for greatest levels of efficiency. When the environment is stable and certain, these cultures may help the organization be effective by providing stable and constant levels of output (Westrum, 2004). These cultures prevent quick action, and as a result may be a misfit to a changing and dynamic environment. Public sector institutions may be viewed as stable cultures. In the private sector, Kraft Foods Inc. is an example of a company with centralized decision making and rule orientation that suffered as a result of the culture-environment mismatch (Thompson, 2006).Its bureaucratic culture is blamed for killing good ideas in early stages and preventing the company from innovating. When the company started a change program to increase the agility of its culture, one of their first actions was to fight bureaucracy with more bureaucracy: They created the new position of VP of business process simplification, which was later eliminated (Boyle, 2004; Thompson, 2005; Thompson, 2006).

People-Oriented Cultures

People-oriented cultures value fairness, supportiveness, and respect for individual rights. These organizations truly live the mantra that "people are their greatest asset." In addition to having fair procedures and management styles, these companies create an atmosphere where work is fun and employees do not feel required to choose between work and other aspects of their lives. In these organizations, there is a greater emphasis on and expectation of treating people with respect and dignity (Erdogan, Liden, &Kraimer, 2006). One study of new employees in accounting companies found that employees, on average, stayed 14 months longer in companies with people-oriented cultures (Sheridan, 1992). Starbucks Corporation is an example of a people-oriented culture. The company pays employees above minimum wage, offers health care and tuition reimbursement benefits to its part-time as well as full-time employees, and has creative perks such as weekly free coffee for all associates. As a result of these policies, the company benefits from a turnover rate lower than the industry average (Weber, 2005; Motivation secrets, 2003). The company is routinely ranked as one of the best places to work by *Fortune* magazine.

Team-Oriented Cultures

Companies with team-oriented cultures are collaborative and emphasize cooperation among employees. For example, Southwest Airlines Company facilitates a team-oriented culture by cross-training its employees so that they are capable of helping each other when needed. The company also places emphasis on training intact work teams (Bolino&Turnley, 2003). Employees participate in twice daily meetings named "morning overview meetings" (MOM) and daily afternoon discussions (DAD) where they collaborate to understand sources of problems and determine future courses of action. In Southwest's selection system, applicants who are not viewed as team players are not hired as employees (Miles &Mangold, 2005).In team-oriented organizations, members tend to have more positive relationships with their coworkers and particularly with their managers (Erdogan, Liden, &Kraimer, 2006).

Detail-Oriented Cultures

Organizations with detail-oriented cultures are characterized in the OCP framework as emphasizing precision and paying attention to details. Such a culture gives a competitive advantage to companies in the hospitality industry by helping them differentiate themselves from others. For example, Four Seasons Hotels Ltd. and the Ritz-Carlton Company LLC are among hotels who keep records of all customer requests, such as which newspaper the guest prefers or what type of pillow the customer uses. This information is put into a computer system and used to provide better service to returning customers. Any requests hotel employees receive, as well as overhear, might be entered into the database to serve customers better. Recent guests to Four Seasons Paris who were celebrating their 21st anniversary were greeted with a bouquet of 21 roses on their bed. Such clear attention to detail is an effective way of impressing customers and ensuring repeat visits. McDonald's Corporation is another company that specifies in detail how employees should perform their jobs by including photos of exactly how French fries and hamburgers should look when prepared properly (Fitch, 2004; Ford & Heaton, 2001; Kolesnikov-Jessop, 2005; Markels, 2007).

Service Culture

Service culture is not one of the dimensions of OCP, but given the importance of the retail industry in the overall economy, having a service culture can make or break an organization. Some of the organizations we have illustrated in this section, such as Nordstrom, Southwest Airlines, Ritz-Carlton, and Four Seasons are also famous for their service culture. In these organizations, employees are trained to serve the customer well, and cross-training is the norm. Employees are empowered to resolve customer problems in ways they see fit. Because employees with direct customer contact are in the best position to resolve any issues, employee empowerment is truly valued in these companies. For example, Umpqua Bank, operating in the northwestern United States, is known for its service culture. All employees are trained in all tasks to enable any employee to help customers when needed. Branch employees may come up with unique ways in which they serve customers better, such as opening their lobby for community events or keeping bowls full of water for customers' pets. The branches feature coffee for customers, Internet

kiosks, and withdrawn funds are given on a tray along with a piece of chocolate. They also reward employee service performance through bonuses and incentives .

What differentiates companies with service culture from those without such a culture may be the desire to solve customer-related problems proactively. In other words, in these cultures employees are engaged in their jobs and personally invested in improving customer experience such that they identify issues and come up with solutions without necessarily being told what to do. For example, a British Airways baggage handler noticed that first-class passengers were waiting a long time for their baggage, whereas stand-by passengers often received their luggage first. Noticing this tendency, a baggage handler notified his superiors about this problem, along with the suggestion to load first-class passenger luggage last Ford & Heaton, 2001). This solution was successful in cutting down the wait time by half. Such proactive behavior on the part of employees who share company values is likely to emerge frequently in companies with a service culture.

3.14   MERCHANDISE FLOW

In today's competitive retail market, retailers need to employ sophisticated methods to flow merchandise from vendors to final destinations. Unfortunately, too many retailers today are hamstrung due to a lack of end-to-end supply chain visibility and an integrated view of on-hand quantities, in-transit (inbound and out bound) shipments as well as on-order and ready to ship quantities. Although the information does exist, it is often locked in different systems. In a typical retail environment, multiple systems are used to perform different functions in the extended supply chain. Orders are created and managed in procurement systems while transportation management systems are used to consolidate and plan shipments. The shipments are handed over to carrier or 3PL providers who track the shipments in their own systems. Finally, the shipments are received either at a Distribution Center (DC) or store and the information is managed in a warehouse management systems or store inventory system.

While most of these systems can generate information in industry standard formats, no framework exists to combine all the information into one, integrated view. Manual processes are currently filling this gap, which is costly and time-consuming.

As a result, buyers aren't able to get a complete view of the pipeline, merchants have to guess whether goods will arrive in time for promotions, and finance only does part of the reconciliation process of matching contracts, purchase orders, invoices, advance ship notices, receipts and freight bills. Resolving these problems is only possible through a system that provides complete visibility and synchronizes the flow of data and goods which is known as merchandise flow.

Providing end-to-end visibility and control over the flow of merchandise requires a new analytical and execution framework. It requires a system that integrates the entire merchandise flow from creation of an order to reconciliation of invoices and shipment information, even through returns. It should be able to able to exchange, analyse and correlate information from procurement, carrier, logistics and warehouse and transportation management systems.

Such a system must fill the gaps between existing systems to provide end-to-end visibility, execution and control, and to enable automatic reconciliation of documents. Most importantly it must provide up-to-date visibility into shipments at a detailed level and the ability to correlate them with orders and order lines.

Once such a system is in place, it benefits the retailer in three very significant ways.

- **Visibility:** The retailers can now have end-to-end visibility into all inventories, whether on hand, on order, inbound or outbound. They can instantly view the status of any order, regardless of vendor. This eliminates time-consuming manual tracking and inconsistencies between the different systems that hold information.

- **Flexibility:** If an effective merchandising flow management system is in place the retailers can choose the best flow process for the product and current situation. For example, they can choose to send costly and bulky items such as furniture directly to the customer from the vendor; for fast-moving commodity items they can instruct their vendors to send products directly to store instead of sending it to DCs first. They can work with third party logistics providers (3PLs) to move products and still have control over the process. Ability to choose and manage merchandising flow can have a serious impact on the profitability of any product.

For example, a product which is available from vendor X at a cost of Rs. 500 but can deliver it directly to the store can be more profitable than the same product available from vendor B at Rs. 490 if vendor B only bulk ships to the distribution center and it costs the retailer an additional Rs. 20 to move the product from DC to store. In addition, most retailers have faced the situation where they were told they would need to pay Rs.4.00 to ship their Rs.9.00 item via airfreight because it left the factory late. Making the wrong decisions on merchandise flow can have a huge impact on profitability.

- **Control:** An MFM system ultimately provides greater control. Once the retailer has complete visibility and the flexibility to make changes, buyers and logistics managers can make better decisions in reaction to changing demands. For example, an unanticipated surge in online sales can be met by directing products that were originally planned for stores to a different distribution center for shipment to customers. Once the retailer has timely, accurate information, they can make better decisions about whether additional ordering is needed to prevent a stock out, or if the goods will be here in time.

Control over merchandise flow provides greater control over inventory and empowers merchants to plan and coordinate promotions, seasonal drops and one time buys more effectively. They can be more aggressive in maximizing sales opportunities by tightly controlling the flow of goods. The ability to effectively manage unanticipated changes in supply and demand is greatly enhanced when retailers have complete visibility and control over merchandise flow.

3.15   SUMMARY

Merchandise management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operations.

- Analysis because retailers must be able to correctly identify their customer before they can ascertain consumer desires and their needs / requirements for making a good buying decisions.

- Planning is important because merchandise to be sold in the future must be bought now.

- Acquisition because the merchandise needs to be procured from others – either distributors or manufacturers.

- Handling involves seeing that the merchandise is where it is needed and in the proper condition to be sold.

- Control is required since the function of merchandising involves spending money for acquiring products it is necessary to control the amount of money spent on buying.

3.16   GLOSSARY

•   **Merchandising**: Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use.

•   **Supply chain management**: Supply Chain Management (SCM) is the management of materials, information, and finances while they move from manufacturer to wholesaler to retailer to consumer.

•   **Retail price:** It is the summation of the manufacturing cost and all the costs that retailers incur at the time of charging the customer.

•   **Credit:** A contractual agreement in which, a borrower receives something of value now and agrees to repay the lender at some later date. It is the power which one person has to induce another to put economic goods at his deposal for a time on promise or future payment. Credit is thus an attribute of power of the borrower.

•   **Online Logistics :** It can be defined as the application of Internet based technologies to traditional logistics processes.

3.17   SELF ASSESSMENT QUESTION

1.   What is merchandising planning?

_____

_____

_____

2.   Write a note on supply chain management

_____

_____

_____

3.18   LESSON END EXERCISE

1.   Discuss credit control

_____

_____

_____

2.   Write a note on retail promotion

_____

_____

_____

3.19   SUGGESTED READINGS

1.   Lucas, Robert Bush & Larry Gresham: RETAILING *(Hononghton Miffin, AIPD, India)*.

2.   Dr. N. Rajan Nari Sanjith, R.Navi, MARKETING

3.   Anderson, MARKETING CHANNELS

4.   Dr. Ramasamy , S .Nama Kumari , Marketing Management.

5.   Dr. C.B. Memoria and R.L. Joshi, Principles and Practice of Marketing in India

6.   James Reandom, RETAIL MANAGEMENT

7.   Lucas and Rolest Bersh, RETAILING

8.   Ron Hasty and James Reardon, RETAIL MANAGEMENT *Mc Graw Hill publication, (International edition)*

Unit-IV   **Lesson 10-12**
ORGANIZED RETAILING

STRUCTURE

165

4.1   INTRODUCTION

Retail trading is as old as civilization with the **"Barter System"** where goods should be exchanged without and in the absence of any money. It can be traced back to time when human beings stopped producing all requirements by themselves and concept of Trade came. Retailing at present has become an integral and indispensable party of society. To examine the survival of human beings with retail trade it is difficult to examine. The major role of retailers is to adopt and distribute product and services. Unless the product is adopted by retailer and provided or made available at a store no commercial activity takes place.

Retailing can be defined, in very simple words as, **"An activity that ensures that consumers drive maximum value from buying process."** Retailers organise the availability of goods and services on large scale and supply them to consumers on relatively small scale. They are important linkage with the point of production to the point of its consumption.

Retail is a set of different activities used to sell a product or service to consumers for their personal or family use. Retailing is responsible for matching individual demands of the consumer with different suppliers of all the manufacturers. It has become such an important part of everybody's lives that it is often taken for granted regarding its existence. Different nations have enjoyed their greatest economic and social progress with a strong and wider retail sector.

Retailing affects every facet of life. Just think of how many contacts you have with retailers when you eat meals, furnish your apartment, or need of having a car and repairing it or buy clothing for a party or for a job interview. Retailing does not only include store and street shops but also consists of "Internet Sales, T.V. home shopping and sales of different services to customer such as movie tickets, hotel rooms and legal assistance.

In India retail industry is the biggest, accounting over 10% of the country's GDP and is responsible for providing 8% of total employment. Retailing in India is becoming global. Wal-Mart, the world's largest retailer and Bharti Enterprises have signed a memorandum of understanding to explore business opportunities in India. Retailing industries and the

biggest competitor for "Bharti-Wal-Mart" is likely to be **"Reliance"** and the retail wing of **"Reliance"** has planned to establish, 1,000 stores in coming years.

4.2   OBJECTIVES

After going through this lesson, you should be able to:

- Describe the meaning of organised retailing

- Explicate the importance of modern retail formats in India.

- Explain the concept of service retailing

- Illustrate the retailing in Rural India

- Understand the environment and legislation for retailing.

4.3   EMERGENCE OF ORGANISED RETAILING

India has witnessed a retail revolution in the last decade. A sustained growth in the incomes and purchasing power of the Indian people both in urban and rural areas has given a foremost boost to the Indian retail. The growth of Indian economy has witnessed a positive trend in the post and rapid to grow at a rapid pace in the future.

As per a survey 291 million people will move out of poverty during a period 2005 to 2025 and 32.2 million people will be added to country's population McKinsey Survey report says, "an average household disposable income will grow to 3,18,896 per year by 2025 from 1,13744 *per* year in 2005". The Indian people who were known for their sample living are now moving towards luxurious living pattern.

It is found that "Indian women who were simply confined to their homes till a few decades back are new independent and self-dependent which has provided more opportunities for retailers." Indian retail industry has become a very popular sector of Indian economy since 2005. The rapidly increasing middle class is catching eyes of big business houses like Birla Reliance Bharti and Wal-Mart. According to "A.T. Kearney Report 2007" Retail industry has grown by 30% in India and 13% in China during few years.

As per a survey retail store is the second largest employer after agriculture. The retailing sector in India is highlight segmented and consists of small independent and owner managed shops. There are more than 12.5 million outlets in India. There has been in boom in the retail trade in India owing to a gradual increase in disposable income of the middle class households as mentioned earlier.

In India at present more and more players are entering into retail business for introducing new attractive latest retail formats like Malls, Super markets, Discount stores, Department stores as discussed in the previous chapter. The non-food retailing sector is going faster year by year as compared to food sector.

Emergence of Retailing At Global Level

Retailing is not only an integral part of an economic structure but it is shaping our way of life. The increasing size of retailers and intensifying rates of competition in the markets has led retailers to search for new ways in which to grow their business. During the late 1980s and 1990s retailers were moving away from their core business to such areas as financial services.

But in recent times buying and selling has become a much more formalised and brand dominated activity. In 1960's retailing was a very small sector having less significance as compared to manufacturing industries.

But at present the growth of retailing is being viewed as an important activity in the economy and its impact on the society is highly acknowledged which is due to the reasons as retailing account for a significant proportion of GDP and it employs a very large number of work force directly or indirectly. Besides this retailers are the amongst largest and most sophisticated organisations.

In fact organised retailing in the world is far ahead than in India. As per a survey report "80% of all retail sales in U.S.A. is accounted for by the organised retailers and this figure is 40% in Brazil and 35% in Taiwan and Korea." More than 22.5 millions of Americans are employed in retailing industry in more than 2 millions of retail stores.

In these days retailers have understood that for achieving sustainable competition retailing firms have to integrate consumer demands with their merchandising and supply chain

planning. And if they have to stay ahead they have to meet the changing consumer shopping habits, taste, performance, promotion, publicity and to pace with new technology.

Retailing in India

In India earning of middle class is increasing, the retail sector in the country is bound to come across opportunities like never before till a few years the retail sector in India was more of an organised one with petty vendors dominating the chunk of Industry but now the scenario has fast been changing. The new retail sector is converting into what we call as organised retailing.

To avail this opportunity not only Indian major corporate players like Reliance, Tata, ITC and Pantaloon" have entered into the segment but now more and more foreign players are also showing interest in USD 400 billion Indian retail market. If one see around one will find giant shopping malls and multiplexes all the way.

Retailing has become such an intrinsic part of our everyday lives that it often taken for granted. The nation that have enjoyed the greatest economic and social progress have been those with a strong retail sector. It is becoming popular as an retail business there is an easier access to a variety of products freedom of choice and higher levels of customer service.

The oldest form of retail trade is "Barber System". The history of retail as old as civilisation. Retailing is meeting unique needs of Indian due to large size of population with a limited daily or month incomes. Haats, Mandis and Melas has been part and parcel of Indian society and still continue to be present in most parts of the country and form an essential part of life and trade.

In India "weekly bazaars' used to be high attraction to both urban and rural people by meeting day to day requirements of grocery, utensils, spices, grain, clothing etc. etc. Beside this village fairs which used to bigger in size with a wide variety of goods became very popular in Indian rural cultural.

With a passage of time there was another healthy development of emergence of "Kirana Store" – a very convenience store at the every street end. Then Indian Govt. came forward and supported rural retail by providing financial and marketing support through "Khadi

and Village Industries Commission". These commission has got a national wide chain of more than 7000 stores in India.

With a passage of time concept of Multi-level shopping stores with parking facility came in to existence. In 1980's retailing in India saw a revolutionary change in terms of its size and functioning. In textile sector retail chains like "S. Kumar's, Bombay Dyeing and Raymonds" came in big way throughout India in the metro cities.
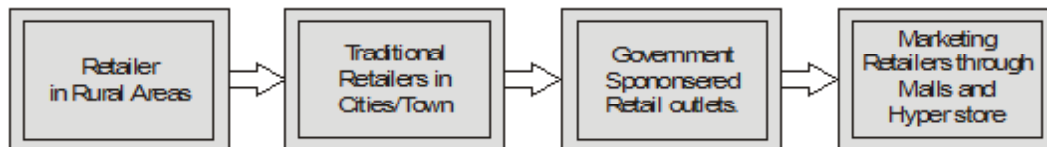
Figure 4.2: Model of Growth of Retailing in India

During last two decade Indian retail marketing has transformed dramatically. The Raymond's distribution retail network today comprises of more than 20,000 retail out-lets like Vimal Showrooms, Bombay Dying, Garden Silk Mills, Madura Garments and Arind Mills step up showrooms for their located textile based products.

The concept of retail as entertainment came to India with advents of big Malls. The development of malls used to be only capital and moter cities but now these can be seen in many other parts of the country.
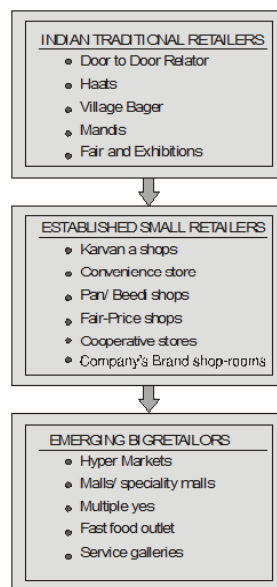
Figure 4.2: Model of Different Indian Retail Player

170

Retailing in Asia

Retailing in Asia has got certain features in their cultures which are more or less some of Indian Retailing. Asia as a region is significantly different from rest of the world in terms of food habits lifestyle and culture. There is great diversity, as compared to European countries in their language, tradition, culture, preferences and behaviour.

For example Singapore is considered to be a shopper's heaven the retail trade in Singapore comprises of establishments dealing in general merchandise transport equipment personal good household equipment, and even retail in fruits, vegetables and health food etc.

It has got a very motive retail market where being infrastructure attracts many foreign retailers. The development of Mass Rapid Transport system further enabled the development of retail in the Singapore country.

NTUC fair price co-operative is the largest retailer in the country which operates super markets and have got many 24 hours convenience store. "Robinson Group", "Takashimaya" and "Gold Storage Singapora" are key retailers in the country. In Singapore a well developed retail infrastructure has played a key role in the retail development of the country.

Retailing in Hong Kong and Japan

Retailing in Hongkong has gone through a revolutionary changes from the street side stores. Wet markets and traditional departmental stores to big and latest Retail complexes like "Ocean Terminal." There is fast expansion in retail in Hong Kong due to continuous expansion of transport infrastructure and development of new Township.

Retailing in Japan. Japan is the world's second largest economy and Asia is richest market. It has got highest number of modern Trade Stores as compared to the limited population. There are more the 750 stores per million of Japans. In Japan after second world war many big cities developed around railway stations and with the passage of time these rail stations becomes distribution centre and community gathering places.

As per survey it is found that Japanese visit convenience stores as they step at super-markets three times a weak. If has got more then 40,000 convenience stores which are playing an indispensable role in people's daily lives and the biggest among them is Seven Eleven stores having more than 8000 branches.

These convenience store not only sell merchandise but also offer services an collection of Public Utility Payment. In Japan retailing is being regulated through large scale Retail Store Laws along with Anti-Monopoly Laws.

Retailing in China

Retailing in China is increasing at a very encouraging rate by more than 22% during last few years, specially in Auto Sales and Building material purchase. On account of China's WTO commitments restrictions on market access and national treatment for franchising have been removed. The main taxes which are applicable are "Foreign Enterprise Income Tax (FEIT)" and "Value-added Tax (VAT)." There is defined system of charging customs and Duties. There is consumption tax ranges from 8%–20%.

Retailing in Australia

In Australia businesses engaged in Stores, Motor Vehicle Retailers, Service Outlets, Mail order Houses Hawkers, Door to Door Sellers rending machines Milk Vendors and Consumer Cooperative Stores.

There is "Retail Trade Division" comprises of three main categories Ford, Personnel and Household goods and Motor Vehicles. The recent introduction of online Retailing has broadened the medium of sales for operators. In fact the Australian retail market is motive and saturated. If has got some internationally popular stores like Coles Myer, Wool Worth's and Met Cast Trading. Australian is encouraging foreign Direct Investment.

The special laws like Price Surveilance Act 1983 "Australian Competition Act" and "Consumer Commission (ACCC)." are administrating business and price surveillance practices. The Trade Practice Act keep a check of Anti-competitive agreements and Resale Price Maintenance practices.

Retailing in Malaysia

During visit Malaysia year 2007 compaign, "retailing found a year of faster value growth during Malaysia, 50th anniversary of independence with the target of bringing in 20 million tourist to Malaysia. The rising number of tourist during the year 2007 lead to high expansion of Retail trade in Malaysia.

In Malaysia there is the "Ministry of Domestic Trade and Consumer Affairs (MDTCA)" under which the wholesale and retail trade of Malyasia falls. If restricts the foreign involvement in certain Retail formats and lays down specific parameters on selling and regarding the size and location of the stores.

Retailing in Middle East

At present **Middle East of Asia** like **Dubai** has emerged as a wonderful Shopping destination in the world. It has seen 200% growth during past years and in the next three years. His growth is going to a be double within additional investment of at last 3 Million dirhams ($ 900 million)

Dubai is the important Tourist shopping destination. Every year all by Malls of Dubai organise a annual month long festival popularly known as Dubai shopping festival.

This combined marketing efforts creates a great impact on Retailing in Dubai. Dubai has got very potential in retailing with an estimated number of sixty thousand shoppers every day and nearly $2 billion in investment. Retail international predicts that growth in Dubai will continue until the year 2005

Retailing in Mid East Asia

In the Mid-East-Asia economic/retail sector continues to be a mix of traditional and modern formats. In North Asia nearly two-thirds of all grocery sales are new made through the modern trade practices. During the last three there has been a nearly 10% shift in business away from the traditional trade. Here Hyper market and convenience store. The development of modern trade has not really affected the total number of traditional grocery stores across the Asia. It is seen that although international retailers have been successful in the region. But local players also continue to dominate in the key markets.

4.4   TRADITIONAL AND MODERN RETAIL FORMATS IN INDIA

Organised retail stores are generally known by large, professionally managed store formats providing goods and services that appeal to customers, in an ambience that is conducive for shopping and provides a memorable experience to customers. There is dynamic development in retailing due to changing environment, changing customer demand, new technologies intense competition and social changes.

Retail organisations have been changing very fast due to technological influences. The "Internet and the web technologies" have created a numerous opportunities for the web based business model of retailing. A key impact of technology has been provision of greater information to the customer, due to which retailer has to constantly innovate in its customer services and re-design it value to the customer.

Technology is prompting efforts towards product and service differentiation. Now-a-days in service retailing, banks, airlines and hotels are enabling customer to pay bills and plan their vocation at home through cable T.V. and video text system. Electronic inventory system has introduced for an accurate and variety of stock. "Home shopping clubs on cable T.V channels are new Retail business formats.

The concept of retail organisation can be explained in two phases :

I. Management of Retail Trade II. Organisation of Retail Formats

I. Management of Retail Trade. The organisation of retailing can only be defined by first discussing the management of retail i.e. the different functions to be performed by a retailer. Once these functions have been defined, then the organisation structure or organisational chart can be properly designed.

The tasks to be performed a retailer depends upon the nature, size and type of retail format. In a big retailing business the different tasks/functions to be performed by a by retail includes activities like

Retail Formats

"Retail organisation means the format or structure of a retail business designed to cater the needs of the end customer." Retailing has become very dynamic industry and new retail firms have brought different innovative approaches and different types of formats.

"Retailing is about reaching out to consumers first-hand through format that differentiate offerings to suit their needs to fulfill them every time and provide true shopping value."

"Retail format is a place, physical or virtual where the vendor interacts with its customers"

Many retail analysts describe the growth of retailing in India as evolution, especially when they discuss retail formats. The Indian retailing scenario cannot be said to have evolved, as

in the process of evolution one graduates and shifts gear from one stage to the next. It's more of a revolution than evolution."

There is a retail revolution happening with more and more formats being defined by the physical store characteristics and by merchandise characteristics. etc. At the same time, these newly defined formats co-exist with the most primitive ones. Infant, it is that store format that creates a unique identity for retailers, enabling in the mind of the customers.

Traditional Retail Formats

Retail formats in India first emerged when the barter system was in vogue with the primitive formats of the "Shanty" where the produce were brought to the market for convenient access by consumers. Keeping the consumers in mind, small mobile retailers brought there products to villages on carts, bicycles etc. Later retailers opened small shops, stocking them with such produce.

As towns and cities grew, these retail store began stocking a mix of convenience merchandise, enabling the formation of high steel bazaars that became the hub of retail activity in every city. Thus, to site an instance "Ranganathan Street in Chennai" came into existence initially, followed later by "Poundy Bazaar", which had largley "Mom and pop outlets", as a high street destination. Thus, the gradual development of the market place led to the emergence of new formats.

Organized retailer are coming with new retail formats that from market place-bared ones to newer forms which are now becoming common place. Modern retailing is thus about getting the customer's heart share more than his mind share by offering a differentiating value proportion through various formats.

Modern Retail Formats

When we think of retail formats, the first thing that comes to mind is the various kind of physical retail stores. We seldom realize that they are the means to reach customers with a configuration of products and services to ultimately gain a significant position in the customer's mind.

Most Indian organizations choose to reach the consumer through brick and mortar retail store formats. However, there are other method too, including non-store formats such as

catalogue, cable TV and the World Wide Web. Write the method of mediation in a physical store format is human interaction a non-store format like catalogue relies on paper and print. Television uses telecast/broadcast and the internet the web-site.

The most interesting aspect of a non-store format is that the entire store is brought to the customer. In a physical store format, on the other hand an attempt is made to bring the customer to the store.

Where the mediation is by human beings, face to face sales and service interaction and actual presentation of products is important to achieve customer service objectives. In non-personal mediation customer relation are established through remote communication.

At times this communication is coupled with voice and photographs, text, images or demonstrations while presenting the merchandise. Each medium used to reach customer has both advantages and disadvantage. Retail organisations at times use a combination of these formats to their target customer's needs.
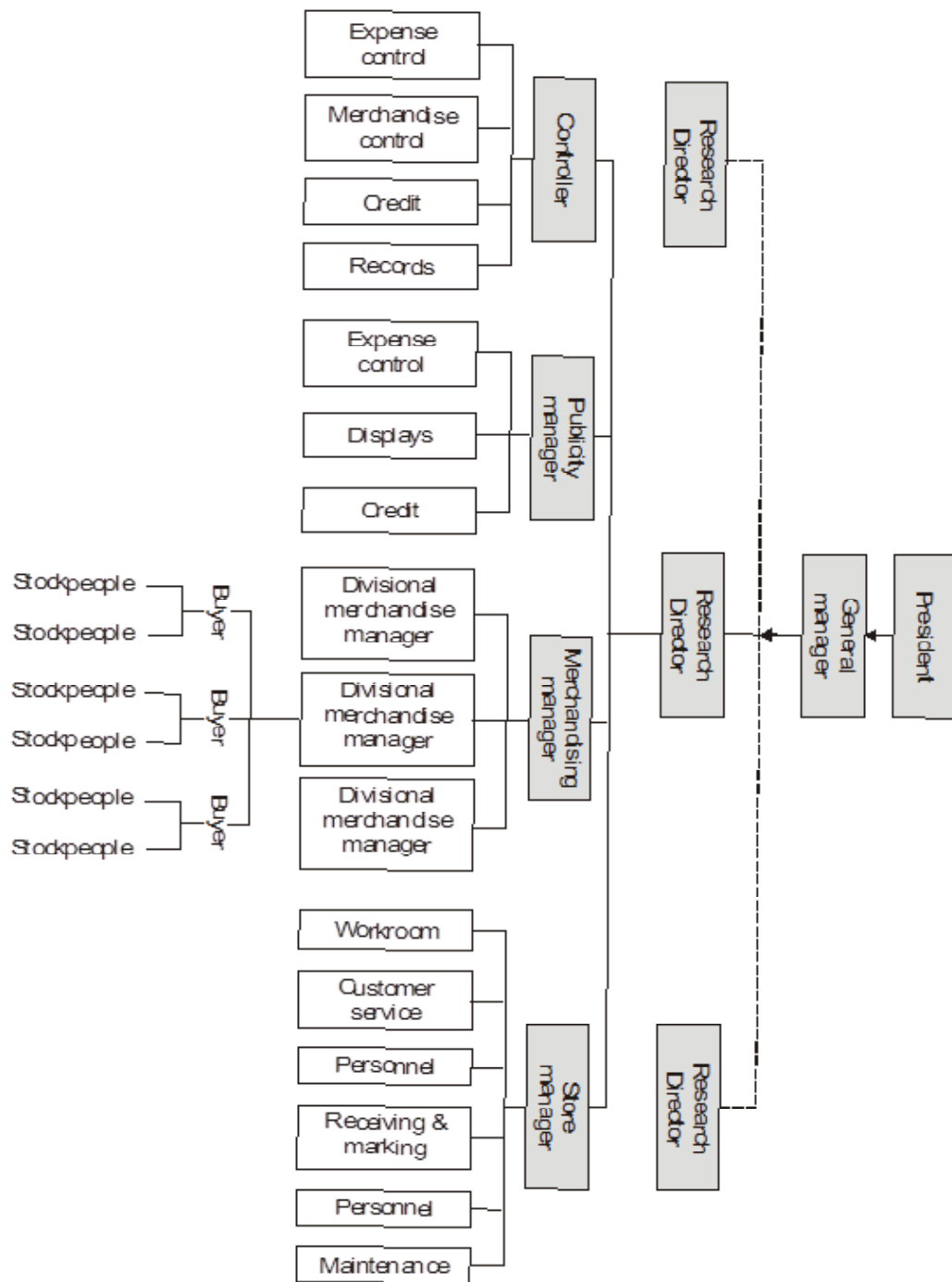
Figure 4.3: Model of Organisation Structure of Big a Retail Store

177

4.5 RETAIL FORMATS: STORE BASED AND NON-STORE BASED FORMATS

The manner in which a retail outlet is organised is known as organisational structure which makes a strong impact on the various functions in the organisation giving it's a uniqueness. The factors affecting a retail organisation structure may depends upon important factors like :

(i)   Nature, Scope and Type of Retail Business

(ii)   Size and Coverage of Retail Business which may

    (i)   Local

    (ii)   State Level

    (iii) Regional Level

    (iv)   National

    (v)   International

(iii)   Type of Products to be sold

(iv)   Basis of Departmentisation which may be

    (i)   Functional Departmentation

    (ii)   Product wise Departmentation

    (iii) Geographical Departmentation

    (iv)   Combination of all this

Broadly the above mentioned tasks to be performed by a retailer can be shown in the model.
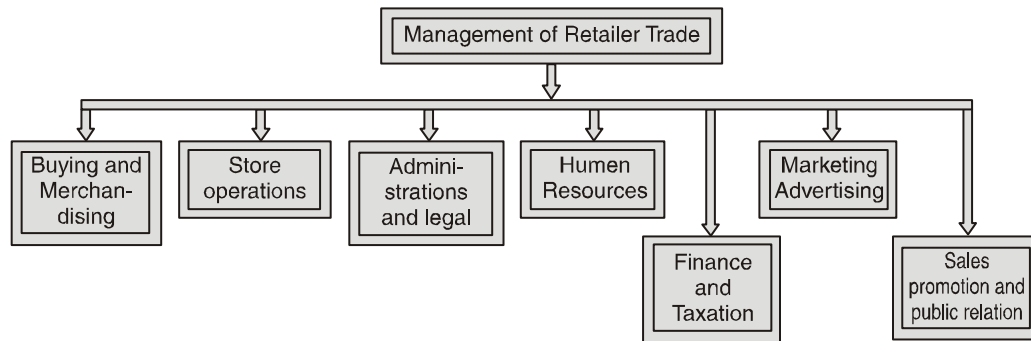
Figure 4.4: Management of Retailer Trader

Store Formats in Retailing
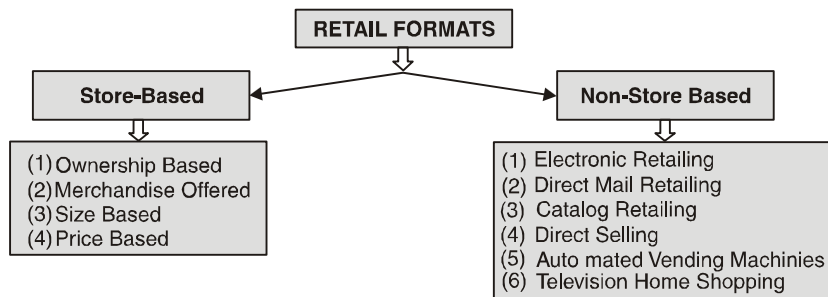
Figure 4.5: Model of Retail Formats

Store formats, their positioning and differentiation create a distinct image of the store among its customers. These formats are defined in terms of location, layout, size, design, merchandise, service, experience offerings etc. As there are many formats at present, it makes sense to have a clear understanding of the key store format definitions.

STORE BASED BASED FORMATS

Retail Stores Classification According to Ownership

1. Independent Retailer:

An independent retailer is one who owns only one retail store. The owner of the outlet is the person responsible for the investment, establishment, sales and profitability of the store. The independent retailers in Indian markets are mainly characterized by the unorganized market including the *"Kirana"* store and *"Mom and Pop stores"*. The organization

structure of an independent retailer is very simple. Not many people are involved in the hierarchy. The owner is accompanied and supported by a small staff comprising of two or three people.

Advantages:

(i) The main advantage of an independent retailer is that he has a direct contact with the customers resulting in a close relationship.

(ii) There is absolute flexibility in terms of hours of operations and product assortment.

(iii) Decision making can be quick as the powers and authority rests in the hands of a single person.

(iv) The productivity of labour can be better utilized as the owner himself is present at the premises.

Disadvantages:

(i) The operations of an independent retailer being small so the benefit of a large scale are not utilised.

(ii) Under this the utilization of technology is negligible.

(iii) There is absence of long term strategic planning.

(iv) The area of operation is limited because there is no advertising and sales promotion.

2.   Chain of Stores:

A chain store retailer is one who owns and operates a number of retail outlets. For example, *"Pantaloons Shopper's stop, Reliance, Tata" etc.*

The organisation structure of the chain store is more complex as compared to single store retailer. Different tasks are divided into various departments and the work is done in a more organized and systematic manner. The use of technology is very evident and unavoidable in the chain stores.

Advantages:

(i)   The main advantages of a chain store retailer is the effective utilization of economies of scale.

(ii)   In it there is an effective utilisation of sophisticated technology.

(iii)   The bargaining power of a chain store retailer is comparatively higher.

(iv)   Presence of long term strategic planning that assure in achieving the organizational goals.

Disadvantages:

(i)   Since the owner does not have any direct contact with the customers, the owner may not give enough personal attention to customers.

(ii)   Under this there is less flexibility.

(iii)   The amount of investment involved is very high.

(iv)   The decision making is decentralised because of which decisions can be delayed.

3.   Franchise:

The dictionary definition of a Franchise is a business established or operated under an authorization to sell or distribute a company's goods or services in a particular area. For example : ***'Levi's', 'Arrow', 'McDonald's' 'Piza Hut', etc.*** operates in a franchisee formats in India.

4.   Leased Department:

A leased department is a small area taken on lease inside the store by another retailer. It is also known as store in store. A leased department can have a number of advantages and disadvantages both for the retailer and for the leased department.

Advantages from retailer point of view:

(i)   More football in the store.

(ii)   As the leased department also contributes towards the security and house keeping arrangements of the store thereby reducing the maintenance cost for the retailers.

181

Disadvantages:

(i)   It may hamper the store's image.

(ii)   There may be rise of conflicts between the employees.

(iii)   The customers might blame the store and not the leased department in case of any discrepancy.

Advantages from Leased department's point of view:

1.   Getting associated with a brand name.

2.   Leased department also enjoys the benefits of the leased maintenance cost.

Disadvantages:

1.   Restriction in duration of working hours. The leased document has to operate according to the store's guidelines.

2.   There may be fluctuation in the amount of rent of lease.

3.   There may be restrictions on introducing any new product line.

Retail Stores Classification According to Merchandise Offered

1.   Supermarket:

The dictionary defines a hyper market as a large self-service grocery store selling groceries and dairy product and household goods. The conventional supermarket is situated in a gigantic area and is close to the customers. The pricing strategy of a supermarket is to keep prices low as to penetrate in the materials.

A supermarket provides facilities of parking and washrooms to its customers. The duration of hours of operation for a supermarket are more so as to provide more flexibility to the customers.

2.   Hypermarket:

A hypermarket is the largest retail format. It is also exemplified by one stop shopping. The product category that a hypermarket offers is very high and includes *"Food and grocery*

apparels, furniture, health care products, beauty products" etc. Like a supermarket, a hypermarket is also a self service formats and offers low prices to the customers.

Some hypermarkets in India – *"Big Bazaar and Reliance Mart"* etc.

3.   Convenience Store:

A convenience store is a small sized store which operates to satisfy the daily needs of the consumers. They are mainly located near to the residential areas and provide products like *"Eggs, milk, bread, soft drinks, newspapers, groceries"* etc. In India particularly the stores like "In and out" can be called as convenience stores.

4.   Department Stores:

A large retail store offerings a variety of merchandise and services and organized in a separate departments. A department store offers a wide range of products that are displayed in separate departments.

The products ranges from apparel, furniture, electronics, toiletries, cosmetics, goods, toys and sporting goods. The customer care executives are sited in every department to assist the customers. Some department stores in India – *"Shoppers stop", "Pantaloons", "Lifestyle" and "Marks and Spencer."*

5.   Discount Stores:

A discount store is a retail establishment that offers its products at a discounted price for the customers. They offer products like apparels, beauty care products etc. the discount stores believe in the concept of providing full value to the customers.

6.   Speciality Stores:

A speciality store is one which sells only a single variety of product and specializes in that product. The product being electronics, furniture, jewellery, footwear apparel etc. The customer service at the speciality stores is unique. The product line of a speciality store is quite narrow and the target segment is well identified. Speciality stores in India – *"Reliance trendz, and Reliance footprints."*

Retail Stores Classification According to Size

(1)   Super Store:

A single-based large store selling food and non-food goods is known as superstore. Usually more than 5000 s.ft. A superstore is generally twice the size of supermarket and offers and non-traditional goods and services like a pharmacy, flower shop, book store, salad bar, bakery etc. under one roof.

(2)   Shopping Mall:

It's an arrangement of retail stores and place for leisure activities such as dining and entertainment etc. and are selected according to their contribution to an overall merchandising plan. It is spread over a large area of more than 200,000 s.ft. and run as an integrated business by an individual or an organization to which independent retailers pay for opportunities to participate.

(3)   Shopping Centre:

A configuration of five more tenant space of approximately 1000 sq. ft. each used for retailing and developed under one building plan such that it has a unified character *(Kannaiya Shopping Centre in linking road, Mumbai, Fountain Plaza in Banglore, Chennai, Basant Lok in Vasant Vihar, New Delhi)*

Retail Stores Classification According to Price

1.   A *"category killer format"* is a large speciality store featuring an enormous selection of its product category at relatively low prices.

2.   The *"factory outlet format"* is owned and operated by the manufacture selling discounted merchandise factory seconds, cancelled orders etc. at very low prices and in the vicnity of the factory itself.

3.   The *"ware house format"* is a large sale of discounted merchandise by individual or an organization in free-access ambience of a warehouse. This format has a large width and depth in many categories in retails.

4.　　A *"single price denomination format"* store retails scramble merchandise lines at just one price point, generally at low one. The best example of this format the "Dollar stores" which are spread across the USA.

NON-STORE BASED BASED FORMATS

(1)　Electronic Retailing:

Electronic retailing is a retail format in which the retailers communicate with customers and offer products and services for sale over the Internet. The rise of internet has led to growth of e-retailing in India. Most of the retailers are selling their products online. *For example: Amazon.com, ebay.com etc.* It is convenient, time saving and comfortable for the customers as they can shop and purchase while sitting at home.

(2)　Direct Mail Retailing:

Direct Mail retailing is a non store format in which the retail offering is communicated to a customer using letters and brochures. Customers often get convenience on this shops. It is most successful with rural consumers who lacked ready access to retail stores.

(3)　Catalog Retailing:

It is format retail offering is communicated to a customer through a catalog. Customers often get a catalog in the mail, look it over, and go to the Internet for more information and to place an order.

(i) *General Merchandise Catalog Retailers* offer a broad variety of merchandise in catalogs that are periodically mailed to customers.

(ii) *Specially Catalog Retailers* focus on specific categories of merchandise, such as fruit, gardening tools, and seeds and plants.

(4)　Direct Selling:

Direct selling is the direct contact between the seller and the potential buyer. Most of the retailers are focussing on this mode of retail to penetrate the markets, in particular the households. Direct selling is a highly interactive form of retailing in which considerable information is conveyed to customers through face to face discussions with a salesperson.

(5)   Automated Vending Machines:

Its a non-store format in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or use a credit card. The customers can have an access to the vending machines 24 × 7.

(6)   Television Home Shopping:

Television home shopping is a retail format in which customers watch a TV program demonstrating merchandise and then place orders for the merchandise by telephone. The three formats of electronic home shopping retailing are:

> (i)   Cable channels dedicated to television shopping.
>
> (ii)   Infomercials
>
> (iii)   Direct response advertising.

The major advantage of TV home shopping compared to catalog retailing is that customers can be the merchandise demonstrated on the TV screen. TV home shopping retailers appeal primarily to lower income consumers. Forty percent of TV home shopping retailers appeal primarily to lower income. Forty percent of TV home shopping sales are inexpensive jewellery, cosmetics exercise equipments, and different categories of apparel as TV home shopping retailers appeal primarily to lower income consumers.

4.6   LATEST TRENDS IN GLOBAL RETAILING

The increasing importance of retail is reflected by its high contribution to GDP which indicates that a very significant proportion of the economy is linked to retailing due to which public policies tends to recognise its importance as a driving force and aims to promote its sustained growth.

In recent years at a global level some of these latest trends have been observed by marketer in retailing.

I.   Retailing is going International:

In these days all big retailers have started looking for international markets for their further business. Due to geo-political development joint-ventures, acquisition and trade pacts is facilitating movement of goods and services across the boundaries of the countries.

Malaysia, Australia, U.S.A. and U.K. are the most attractive destination to invest in retail store. Whereas Russia and China have been attracting global players by their fast growth and ease of setting up retail business. For example "Target and Dollar Stores (U.S. based) are growing their geographical boundaries in a very rapid and aggressive manner.

II.   Retailers are becoming Value Driven:

In these days *shop ability* of Retailers has increased, throughout the world the concept of convenient store, with latest layout, "Malls", "Hyperstore" and "Speciality store" have made the shopping a good experience. Buying has become quick and easy. Value retailers like *"Wal-Mart, Costco and Target"* have been providing value addition and comfortable shopping.

"Timberland" as a part of its corporate social responsibility provides *Nutritional label* for all shoes which aims to provide consumer information about the product they are purchasing, including where it was manufactured, how it was produced and its effect on the environment.

Amazon Kindle, and Waterstone – the most famous bookseller has opened their stores that features graphics rather than words to guide shopper around the world.

III.   Designing of their Private Brands:

There is another latest trend where retailers are developing their own personal/private brands for increasing their margins and sales instead of only selling well established National Brands which cost very high as compared to their own private brands. Retail firms believe that these private brands are a cheap and Nasty substitutes for other costly national brands. Copycat private brands is a strong strategy for retailers. In these days Wal-Mart is concentrating on wider range of private labels to create a "house of brands".

In India Nestle is popularizing the Coffee Kiosk concept in India where it is offering different flavors through its vending machines installed at public places. Likewise Cadbury India with tie-ups with telecommunication companies like "E-Cuba India and BPL Mobile" has launched chocolate vending machines.

IV. Change of Retail Formats:

Retail formats are changing very rapidly due to high competition and entry of world's largest companies. Emerging and latest new retailing format is concentrating only shopping under-one roof and one-shop-location shopping.

The old traditional cooperatives and basic department stores of the 20th century has made entry to big retailers like 'Wal-Mart', Warehouse Clubs like 'Carefour', of Marko, Sam's Club and Hypermarkets, Convenience Store like 7-Eleven and U.K.'s 'Tesco' Groups. Walgreen is a leading pharmacy chain, providing mail service and also operates worksite Health centres and Home care facilities.

V. Consolidation in Retailing Business:

In the present 21st century there is substantial consolidation and re-structuring of retailing specially in European countries. There is not corporate restricting but it has lead to involving new forms of relationship with Manufactures, vendors and wholesaler.

For example "Best-Buy" – a largest retailer of Consumer Electronics in the United States and Canada accounting for 21% of the market has re-structured and have acquired 75% stake in "Jiangsu Five Star Appliance" which is China's third largest consumer electronic retailer.

VI. Enhancing Retail Services:

Customers expect many extra services and facilities from big latest retails outlet. In U.K their "*Best Buy Retailers*" are providing repair support and installation services through their *Geek Squard.*

"*Pet Smart*" is a U.S and Canada based retail chain engaged in the sale of specialty in "*Pet* supplies" and is providing regular services such as grooming and dog-training and cat hoarding facilities and due to their these services there is tremendous jump in retail revenue and also in boosting customer's loyalty.

4.7 SERVICE RETAILING

The retail firms discussed in the previous sections sells products to consumers. However, service retailers, firms selling primarily services rather than merchandise, are a large and

growing part of the retail industry. There are several trends that suggest considerable future growth in service retailing.

For example: the aging of the population will increase demand for health services. Younger people too are spending increasing amounts of time and money on health and fitness. Parents in two income families are willing to pay to have their homes cleaned, loans maintained clothes, washed and pressed, and meals prepared so they can spend more time with their families.

Many organizations such as banks, hospitals, health spas, legal ethics, entertainment firms, and universities that offer services to consumers traditionally have not considered, themselves as retailers. Due to increased competition, these organizations are adopting retailing principles to attract customers and satisfy their needs.

These retailing firms are selling different services rather than products. It is very large and growing part of the retail industry. There is large variety of service retailers. There are large number of professional service provides like lawyers, doctors, Chartered Accounts, Architects, etc. Beside this many organizations such as Banks, hospitals, health spas, Entertainment firms and University, School and Colleges are offering various services to customers and meeting their day-to-day requirements and even specific requirements. These stores are bright and clean and try to provide best services to make customers as their permanent customers.

4.8   E-RETAILING

Retailing is expected to change with the rapid development of new online sales and distribution channels that literally can be used from anywhere, anytime-from work, school, a hotel, car, or airplane. These developments should impact retailing as much as the advent of strip malls, catalogue retailing, and TV-based home shopping. Almost every retailer is re-evaluating every aspect of its operation from customer service to advertising, merchandising to store design, and logistics to order fulfillment. Furthermore, reacting to the pressure of retailers, suppliers are assessing technology based solutions to drive down costs (labour, delivery, and production) and become more efficient producers of goods.

Online channels such as online services and the Web are also impacting traditional retail business models. In the traditional model, the customer went to the store and located the

product. In the online model, the retailer seeks out the customer. The success of catalog retailers demonstrates that a significant portion of consumers have embraced the reverse model: the retailer going to the consumer

Meaning of E-Retailing

E-retailing essentially consists of the sale of goods and services. Sometimes we refer to this as the sale of tangible and intangible goods, We can divide tangible goods into two categories: physical goods and digital goods. Examples of physical goods would be a book, a television set, a video recorder, a washing machine, etc. Examples of digital goods are software and music, which may be downloaded from the internet. The sale of intangible goods is sometimes called E-servicing. Examples of services that may be sold are information such as the most recent stock prices, the most recent foreign exchange rate, or education. Entertainment such as -games that would be played on the internet are also examples of e-services. So are the sales of services such as telecommunication services or banking services. The sale of tangible and intangible goods are all referred to as Customer oriented e-commerce or e-retailing, if they are sold directly to the consumer who is the end user. Here we discuss the sale of tangible goods.

Features of E-Retailing

1.   The provision of an on-line catalogue, which allows one to browse through different categories of goods. Thus, it is dynamic and linked with order process.

2.   The provision of a search engine, which is a very important feature that does not exist in traditional retailing.

3.   The provision of a shopping cart, which allows convenient goods selection. An ability to provide an automatic price update.

4.   Personalization of store layouts, promotions, deals, and marketing.

5.   The ability to distribute digital goods directly. Thus, these goods can be downloaded instantly.

6.   An on-line customer salesperson, "who" can help customers to navigate through the site.

7. An order status checking facility, which is a useful feature before submission.

8. The use of Forums (collaborative purchasing circles) to create a customer community and thus increase "stickiness."

Difference between Traditional retailing and E-retailing

Traditional retailing

Traditional retailing essentially involves selling to a final customer through a Physical outlet or through direct physical communication. This normally involves a fairly extensive chain starting from a manufacturer to a wholesaler and then to the retailer who through a physical outlet has direct contact with the final customer.

Examples of physical outlets that retailers currently use are: Malls

• generalized stores (e.g. department store)

• specialized stores

• franchise stores

t is useful to reflect that even in traditional retailing we have moved away from just using a static physical outlet within which a customer can have direct contact with the retailer. Thus, more recent forms of traditional retailing include

• direct mailing

• telemarketing

• door-to-door sales

• vending machines

Direct mailing to a customer normally involves sending a brochure or catalogue to a customer. The customer browses through this catalogue and then carries out mail ordering. In some respects, this notion of browsing through a catalogue is a forerunner of e-retailing. Direct mailing, telemarketing, door-to-door sales, or the use of vending machines includes other forms that have actually moved away from a physical fixed outlet and in a way are intermediate forms of the movement away from traditional physical retailing outlet to the virtual retailing we see on the internet.

E-retailing

The internet has allowed a new kind of specialization to emerge. Instead of specializing just in a special product line, they allow specialization in particular classes of customers and sellers. Thus, we see lastminute.com, which allows last minute purchases of travel tickets, gift, and entertainment to be matched against last minute sellers of the same items. Here, we see specialization not in a product line but in a class of purchasers and a class of sellers. This kind of specialization would not have been possible before we had the internet.

In addition to these specialized stores, we also get generalized e-stores where a store sells several product lines under a single management. Examples of these generalized stores include JC penny and Walmart.

We also have the electronic counterpart of malls or e-malls. E-malls essentially provide a web-hosting service for your individual store much in the way that mall provide a hosting service in the sense of a physical location for your store.

Examples of these e-malls are Yahoo! Store, GEO Shops, and CNET stores:

Benefits of E-Retailing to the customer

Customers enjoy a number of benefits from e-retailing.

The first of these is **convenience**. It is convenient for the customer as he does not have to move from shop to shop physically in order to examine goods. He is able to sit in front of a terminal and search the net and examine the information on goods. The second aspect of convenience he gets is in terms of time. Normally, the traditional shop has an opening time and a closing time and the customer can only visit the shop within these periods. On the net, the customer can choose at any time to visit a site to examine the goods that are available and actually carry out his purchasing at one's own convenient time. The third type of convenience that the customer gets is that he has access to a search engine, which will actually locate the products that he describes' and also the site where they may be available, or perhaps even locate the sites where they may be available at the best price

The second type of benefit to customers is **better information**. The Internet and the World Wide web are essentially communication media that allow retailers to put on quite extensive information related to their products, which is available to the customers.

192

The third type of benefit that the customer gets is **competitive pricing**. This is due to two factors.

- The first is lowered costs to the retailer because he does not have to maintain a physical showroom, he does not have to hire several shop assistants, and these savings can be passed on to customers in the form of reduced prices.

- Secondly, competitive pricing pressure that arises from the fact that the customer is now able to look at prices at several sites. Therefore, the pressure is always there on the retailer to maintain a competitive price for his products.

To the business

There are a number of benefits of e-retailing to the business itself.

- The first of these is **global reach**. The retailer now is no longer restricted to customers who are able to reach the store physically. They can be from anywhere around the globe. The retailer must, of course, deliver the goods of a purchase to the customer.

- The second benefit is better **customer service**. The use of email and the use of electronic interchange of messages between the customer and the retailer allow better communication between the customer and the retailer. These allow one to easily inquiries and deal with complaints. These also allow a much more rapid response time than was possible in the days of faxes and postal mail.

- The third benefit is the **lowered capital cost to the retailer**. The retailer does not have to maintain showrooms; he can probably have lower inventories. Thus, while Amazon.com lists over a few million titles, it keeps an inventory of a few thousand best selling titles only. Therefore, the retailer has lower warehousing costs. He does not have to have many shop assistants who are physically answering questions and showing the customer goods.

- The fourth benefit to the retailer is **mass customization**. Based on requests by the customers, the retailer is now able to carry out mass customization with reduced time to market for the customized products.

193

- The next advantage is **targeted marketing**. The retailer is now able to pick on a specific targeted group of customers and direct marketing towards these customers. The retailer is also able to provide **more value-added services** in the way of better information, add-on services to basic services, or add-on options to products that he is selling.

- The last advantage to the retailer consists of **different new forms of specialized stores that he is now able to utilize.**

Models of E-Retailing

There are several models for e-retailing and these include

- Specialized e-store

- Generalized e-store

- E-mall

- Direct selling by the manufacturer

- Supplementary distribution channel

- E-broker

- E-services

Specialized E-stores

The first class of model what we mention in e-retailing was the specialized e-store and here you can distinguish between two different kinds of specialization: the more traditional specialization along product lines and specialization by function. When you have specialization by product line, essentially you have a store that decides to pick one particular product line, say books, flowers, CDs, clothes, and sells only this particular product line. It may also choose to position itself in a particular part of the product line, e.g. clothes; it could choose to position itself at the very expensive end of the market selling brand names _ Gucci and Armani.

Alternatively it could do more mass marketing by selling non – brand names at a much lower price, or it could go into discount selling. So, you can have a specialization by

product line, and then you could have specialization - positioning within that product line to cater for a particular part of the marker.

In contrast to this, a new kind of specialization is emerging on the internet, as mentioned. earlier, namely specialization by function. A good example of this is lastminute.com in lastminute.com they sell gifts, travel tickets, and other items for last minute shoppers who want to purchase these items at a very short notice. Generally, when one purchases an item at a very short notice (e.g. travel), he often pays a premium, which is an extra amount for the convenience of booking the travel at the last minute. Now, this means that the air ticket is likely to cost much more than if he had purchased it some time before traveling and made use of different discounts or promotions.

The producers of the web site lastminute.com realized that there are groups of customers who make these purchases at the last minute and feel some degree of angst at having to pay the premium for doing this shopping at the last minute. On the other hand, you will find that you may have sellers, e.g. airline companies that have empty seats at the last minute which they are unable to fill. So, what lastminute.com does is bring together travelers who want to book at the last minute and an airline which has got spare capacity at the last minute, and allow the former to buy from the latter at the last minute. In this situation, the purchaser may get his airline ticket at a reduced price.

So, there is a win-win situation for both the purchaser and the seller. This is a unique kind of specialization. It is very difficult to do this unless one utilizes the internet to carry out this kind of specialization.

Generalized e-stores

The next category of e-retailing models that we intend to look at is generalized e-stores. Generalized e-stores sell a large number of product lines rather than con-fining themselves to just one or a very few product lines.

E-malls

The next e-retailing model we consider is the e-mall. In an e-mall, cyberspace is rented out to cyber e-stores that wish to sell their goods. This store could be a specialized or generalized e-store. So, several product lines can be present. in a single e-mall. However, unlike the generalized e-store which is under a single unified management, in an e-mall,

each store is under its own management. E-mall management is responsible only for creating the cyber sites that can be rented and can support services and marketing of the mall. It, thus, provides a web hosting service.

Several e-malls also provide software tools, which can be utilized by a prospective e-store to create and maintain it_ e-store. The advantage for an e-store is that it is grouped together with other stores in a wellknown e-mall site and, therefore, is likely to pick up visitors to the mall.

Direct selling by the manufacturer

A number of manufacturers with well-known brand name products have chosen to use the internet to carry out direct selling via the internet. One of the best known here is Ford, which utilizes the internet to achieve direct selling but uses its dealer network to facilitate distribution and delivery. The other well -known examples are Cisco systems and Dell computers. Note that this approach permits mass customization to meet customer preferences. This direct selling by the manufacturer has an important disintermediation effect leading to reduced costs to the end customer and increased profitability to the manufacturer.

A note of caution is important here. By and large, this approach can be used by manufacturers of well-known brands of products because the customer already knows the pro-duct. Secondly, the manufacturer must have a thorough understanding of customer preferences, otherwise he has to rely on the customer knowledge of a retailer.

Brokers or intermediaries

This class of e-retailers is essentially an extension of the notion of a broker from the physical to the cyber world. **A broker is an intermediary who**

• 	may take an order from a customer and pass it on to a supplier

• 	may put a customer with specific requirements in touch with a supplier who can meet those requirements

• 	may provide a service to a customer, such as a comparison between goods, with respect to particular criteria such as price, quality, etc.

Thus, brokers provide comparison shopping, order taking and fulfillment, and services to a customer. That is the reason why they are sometimes referred to as electronic intermediaries.

There are several different models for electronic brokers and these include:

•	Brokers that provide a registration service with directory, search facilities, e-payment facilities, and security-related facilities. Any business can register with such an e-broker.

•	Brokers that meet a certain requirement such as a fixed price.

•	Brokers that provide comparison shopping between products.

4.9   ENVIRONMENT FOR RETAILING

Simultaneous assessment of the external environment and company profile enables a firm to identify a range of possibly attractive interactive opportunities. These opportunities are possible avenues for investment. However, the full list must be screened through the criterion of the mission before a set of possible and desired opportunities is generated. This process results in the selection of a strategic choice. It is meant to provide the combination of long-term objectives and grand strategy that will optimally position the firm in the external environment to achieve the company mission. Consider the case when strategic managers feel that a firm is overly dependent on a single customer group, for example, a chain of record shops with principal customers 10 to 20 years old. The firm's interactive opportunities might include expanding the product line, heavily emphasizing related product, accepting the status quo, or selling out profitably to a competitor. While each of these option might be possible, a firm with a mission that stressed commitment to continued existence as a growth-oriented, autonomous organization might find that only the first two opportunities are desirable. In that case, these options would be evaluated on the basis of payoff and risk potential, compatibility with or capability for becoming the firm's competitive advantage, and other critical selection criteria.

A complicated sub-process is used to derive the strategic choice. Strategic analysis involves matching each of the possible and desirable interactive opportunities with reasonable long

term objectives and targets. In turn, these are matched with the most promising means – known as grand strategies – for achieving the desired results. Each of the sets of alternative is then evaluated individually and comparatively to determine the single set or group of sets that is expected to best achieve the company mission. The chosen set (or sets) is known as the strategic choice.

Critical assessment of strategic alternatives initially involves developing criteria for comparing one set of alternatives with all others. As is the case in making any choice, a company's strategic selection involves evaluating alternatives that are rarely wholly acceptable or wholly unacceptable. The alternatives are therefore compared to determine which option will have the most favorable overall, long run impact on a firm.

The Legal Environment

Market economy in India is much more inclined towards the central, state and local governments. Economic environment refers to the stage of economic development of the country like developed or developing, state of agriculture, industry and service sectors, level of national income, its composition or source-mix, i.e., percentage of national income derived from agriculture or industry and the service sector. Private label is a label unique to a specific retailer, account for about 20 percent of sales.

The government rules and policies are must be followed for existing in the market. The basic legal conditions considered in environmental appraisal are:

1.   Antitrust regulation

2.   Protection laws

3.   Environmental laws

4.   Tax laws

5.   Foreign trade regulations

Changes in government rules have been major effect to the future of many organisations.

The Economic Environment

The Market size/age: Is the market relatively small or large, and can it be broadly characterized by its stage of development (start-up, emerging, growth, maturing, declining)?

Industry attractiveness: The overall attractiveness of an industry is determined by the interaction of these key structural forces.

Industry structure analysis: The initial analysis of industry structure provides a snap of the competitive environment.

The Competitive Environment

There are five basic competitive forces, which influence the state of competition in an industry.

Porter calls it the 'structural determinants of the intensity of competition', which collectively determine the profit potential of the industry as a whole. Some industries have a bigger profit potential than others, since keener competition means lower profits.

Threat of New Entrants: The strength of the threat from new entrants depends on two factors:

1.   The strength of the barriers of entry.

2.   The likely response of existing competitors to the new entrants.

The Threat from Substitute Products: The products or services that are produced in one industry are likely to have substitutes that are produced by another industry, which satisfy the same customer's need. Which firms in an industry are faced with threats from substitute products, they are likely to find that demand for their products is relatively sensitive to price. An important threat they must watch out for is any improvement in the price-performance characteristics of these substitutes.

The Bargaining Power of Customers: The profitability of an industry depends on the customers' bargaining power. Just how strong the position of customers will depend on a number of factors:

1. If the customers' purchase represents a substantial proportion of total sales by the producer, the customer will be in a strong position relative to the seller.

2. In most of a customer's supplies come from a single industry, the customer will be in a weaker bargaining position than if only a small proportion did so.

3. Whether switching costs are high or low.

4. Whether the products supplied by the industry are standard items and undifferentiated. Suppliers will try to increase their bargaining power over customers by creating a strong brand image.

5. A customer who makes low profits will be forced to insist on low prices from suppliers.

6. The treats that customers might take over sources of supply, if suppliers charge too much.

7. The skills of the customers' might take over sources of supply, if suppliers charge too much.

8. The skills of the customers' purchasing staff, or the price-awareness of customers.

9. When product quality is important to the customer, the customer is less likely to be price sensitive and so the industry might be more profitable as a consequence.

The bargaining power of suppliers: Just a customer can influence the profitability of an industry by exerting pressure for higher quality products or lower prices, so too can suppliers influence profitability by exerting pressure for higher prices. The ability of suppliers to get prices depends on the following factors:

1. Whether there are just one or two dominant suppliers to the industry able to change monopoly prices.

2. Whether the suppliers are threatened by new entrants to the market, or by substitute products.

3.   Whether the suppliers have other customers outside the industry, and do not rely on the industry for the majority of their sales.

4.   The importance of supplier's products to the customer's business.

5.   Whether the supplier has a differentiated product which buyers need to obtain.

6.   Whether switching costs for buyers would be high.

The Rivalry amongst Current Competitors in the Industry: The intensity of competitive rivalry within an industry will affect profitability of the industry as a whole. Competitive action might take the form of price competition, advertising battles, sales promotion campaigns, introducing new product from the market, improving after sales services or providing guarantee or warranties.

The Technological Environment

Technological conditions determine the development of an organisation by increasing the efficiency, production and competitiveness. The adaptation to new technology can be in three ways:

1.   Inventing or creating a new product

2.   Introducing the products and processes in use

3.   Diffusing the technology that cannot be used first

Technological conditions that may have impact in an organisation include:

1.   Effectiveness of infrastructure, including roads, ports, airports, rolling stock, hospitals, education, healthcare and communication

2.   Productivity of the organisation

3.   New manufacturing processes

4.   New products and services of supply chain partners

5.   New technology that could impact the company

6.   Cost and accessibility of resources such as electrical power, water supply, fuel etc.

The Global Environment

A question fundamental to the discussion of retail globalization asks why retailers follow such a strategy. Invariably operating in a new market is a high cost and high risk method of growth. Indeed, it has been suggested, "Global retailing demands huge investment and gives no guarantee of return". While there are certainly successful global retailers, there are many examples of failure. Failure is, undoubtedly, the result of a series of complex and interrelated factors.

4.10   LEGISLATION FOR RETAILING

"India's government seems to be on a gradual but definite path toward allowing foreign retailers into the country...." suggests the A.T. Kearney's Retail Development Index 2006. It is a common knowledge that the Union government has to face a number of hurdles both from it's opponents as well as it's allies before it could announce the final verdict. There have been demands from all corners regarding framing of rules to safeguard interests of the so-called small traders. Simultaneously economists have the consensus that industrialization is imperative for the growth of the economy and foreign investment has to play an inevitable role in it. With Lok Sabha elections to come in 2009, the Union government too seems a bit confused regarding decision in who's favor can provide it a political edge. So in this study let us compare the views for and against liberalization as is held by Indian Bureaucrats.

The recent outburst of fury among the Kerala's LDF (Left Democratic Front) Government has been noticeable. They have exacted for a three-pronged approach to prevent the retail giants from serving the Keralians. At the first stage, not only MNCs but also the local retail giants like Reliance will be shown the red signal. In fact a magnified CPI protest has compelled a Reliance Fresh outlet in Kochi to take police protection. The draft of a bill has been finalized to amend the Kerala Essential Commodities Act so that the state government can intervene in the retail market.

As a second step, local councils (70% of which is controlled by the Left) will deny licenses, that are mandatory to start a retail chain in the state. Kochi and Tiruvananthapuram corporations will be in fact commanded to reconsider the licenses of outlets that are already operating in the regions. This strategy grants more power to the state. However a ban on shopping in these outlets is still not clear. The third and the most revolutionary judgment is actually an outcome of the whole game. Government-controlled supermarkets and hypermarkets will be established in some of the key cities in the state.

This rigid legal wall not only in Kerala but across the country has been born out of a traditional mindset. Kerala claims to have a literacy rate of 90.92% and a sex ratio of 1058 females per 1000 males. The data speaks for the government's prudent commitment in the case of Kerala. So it is high time that the government opens up avenues for its people to let them grow and become self dependent.

But the government is still holding good, the conventional 'infant industry' outlook. The main worry is the negative impact on the already gloomy condition of employment. Let's make an attempt to understand the vicious circle of unorganized retailing and present employment scenario. Unorganized retailing has a share of about 96% in the Indian retail sector. But why should people work in such miserable situations if the manufacturing and services sector are booming is the overwhelming question. There has been a trend to migrate to cities in search of alluring bright city lights. But the consequences has been been even worse- earning lower than expected wages (Harris Todaro model of migration). The illiterate and unskilled people ultimately set up a grocery shop to earn a living. This gives birth to another unorganized retail shop in India and thus enlarges its share. So the unorganized retail market in India has born out of fate rather than selection.

Those opposing the expansion of organized retail in India must understand that the share of primary sector shrinks and that of the secondary and then the tertiary sector expands as an economy grows. This is the basic structural adjustment in case of any transforming economy. India is at a take off stage. A retardation in the agricultural sector is not permissible but inhibiting the growth of services on grounds of protection to agriculture is more irrational. A proof of this has been seen in a small town of North Bengal. The opening of a Big Bazaar (brand name for stores under Pantaloon) departmental store has seen a human deluge of about 7,000 people in the 35,000 sqft shopping mall by 3pm. This clearly

indicates that people (even in remote places) have become fed up of monotonous marketing practices and demand nowadays is purely governed by choice.

The UPA government is rather clear in its aim of taking India to new highs. The commerce minister has repeatedly asserted that FDI will kill two birds with the same stone. It will generate substantial direct as well as indirect employment and at the same time will not tamper with the present scope of the unorganized retail market. The indirect employment includes jobs in transport, packaging and other logistic services. It will enhance competition in the country thus giving a virtual chance to face global challenges while operating at home. Mr. Nath is clearly focused on the utilization of FDI in acquiring benefits. It is true that such investments will bring in huge imports but this may also help in the Indian products reaching the foreign consumers. Foreign majors such as Wal-Mart, Tesco and Carrefour are ready to enter India. The UPA government has already permitted 51 percent FDI in Single-brand products without consulting its allies and it is expected that slowly but steadily the government will achieve its goal.

4.11 FDI IN RETAILING

The Government of India was initially very apprehensive of the introduction of the Foreign Direct Investment in the Retail Sector in India. The unorganized retail sector as has been mentioned earlier occupies 98% of the retail sector and the rest 2% is contributed by the organized sector. Hence one reason why the government feared the surge of the Foreign Direct Investments in India was the displacement of labour. The unorganized retail sector contributes about 14% to the GDP and absorbs about 7% of our labour force. Hence the issue of displacement of labour consequent to FDI is of primal importance.

One of the most striking developments in the last two decades has been in the FDI in the global economic landscape. FDI provides a win-win situation both to the host as well as home country. The rapid expansion in the FDI by multi-national enterprises since the mid-eighties may be attributed to significant changes in technologies, greater liberalization of trade and investment regime, deregulation and privatization of markets in many countries including developing countries like India. Initially FDI was not allowed in India in the retail sector because of the fear of the job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However the government later opened

up the retail sector for FDI or FDI in retail sector was allowed. FDI in multi brand retailing is prohibited in India. FDI at macro level is a non- debt creating source of additional external finances. At the micro-level, FDI is expected to boost output, technology, skill levels, employment and linkages with other sectors and region of the host economy. Recently some of the political parties in India like Samajwadi Party and the left had urged Prime Minister Manmohan Singh not to let the FDI enter into the multi-brand retail sector, as this would destroy India's retail sector. Example: Entry of one Wall Mart supermarket would displace 1300 small retail stores and render 3900 people jobless. In India employment has always been a big problem. The rate of unemployment is higher than the rate of employment in India. Now if in such a situation when employment growth has slowed down, the entry of foreign supermarket would further add up to this problem.

FDI is like an investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies.

The investing company may make its overseas investment in a number of ways - either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture. The accepted threshold for a foreign direct investment relationship, as defined by the OECD, is 10%. That is, the foreign investor must own at least 10% or more of the voting stock or ordinary shares of the investee company. An example of foreign direct investment would be an American company taking a majority stake in a company in China. Another example would be a Canadian company setting up a joint venture to develop a mineral deposit in Chile.

 FDI in Retail Sector

Foreign direct investment (FDI) in the retail sector in India is restricted. In 2006, the government eased retail policy for the first time, allowing up to 51 per cent FDI through the single brand retail route. Since then, there has been a steady increase in FDI in the

retail sector, and the cumulative FDI in single-brand retail stood at $195 million by the middle of 2010.

According to the Department of Industrial Policy and Promotion (DIPP) of the Government of India, single-brand retail comprises those retailers selling products "of a 'single brand' only, such that products should be sold under the same brand internationally; and single-brand product retailing covers only products which are branded during manufacturing. In this category, FDI is allowed to the extent of 51 per cent In contrast, no FDI is allowed in the multi-brand retail category. This includes all firms in organized retail that seek to stock and sell multiple brands, such as large international retailers like Wal-Mart and Carrefour. This is the sector that is most under dispute.

The retail sector of India is vast, and has huge potential for growth and development, as the majority of its constituents are un-organized. The retail sector of India handles about $250 billion every year, and is expected by veteran economists to reach to $660 billion by the year 2015. The business in the organized retail sector of India, is to grow most and faster at the rate of 15-20% every year, and can reach the level of $100 billion by the year 2015. Here, it is noteworthy that the retail sector of India contributes about 15% to the national GDP, and employs a massive workforce of it, after the agriculture sector. India's growing economy with a rate of approximately 8% per year makes its retail sector highly fertile and profitable to the foreign investors of all sectors of commerce and economy, of all over the world. Organised retailing entails trading conducted by licensed retailers and unorganized retailing includes all types of low cost trading like local shops, small roadside stores and temporary shops or door to door selling of various goods. Until now, according to the Indian retailing laws, Foreign Direct Investment in multi-brand retail market was prohibited. But government is thinking to open the FDI in retail in India which implies that foreign investment in retailing is possible up to 51%. Now the announcement of retail FDI in India has triggered a series of debates on both positive and negative notes and become political issue.

Advantages of FDI In Retail Sector In India:

1.   Growth in economy: Due to coming of foreign companies' new infrastructure will be build, thus real estate sector will grow consequently banking sector, as money need to be required to build infrastructure would be provided by banks.

2.   Job opportunities: Estimates shows that this will create about 80Lakh jobs. These career opportunities will be created mostly in retail, real estate. But it will create positive impact on others sectors as well.

3.   Benefits to farmers: In most cases, in the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence the farmers and manufacturers lose their actual share of profit margin as the lion's share is eaten up by the middle men. This issue can be resolved by FDI, as farmers might get contract farming where they will supply to a retailer based upon demand and will get good cash for that, they need not to search for buyers.

4.   Benefits to consumers: Consumer will get variety of products at low prices compared to market rates, and will have more choice to get international brands at one place.

5.   Lack of infrastructure in the retailing chain has been one of the common issues in India for years which have led the process to an incompetent market mechanism.

6.   In the last years, the Public distribution system is proved to be significantly ineffective. In spite of the fact that the government arranged for subsidies, the food inflation has caused its negative impact continuously and it can be handled by FDI.

Disadvantages of FDI in Retail Sector in India:

1.   According to the non-government cult, FDI will drain out the country's share of revenue to foreign countries which may cause negative impact on India's overall economy.

207

2. The domestic organized retail sector might not be competitive enough to tackle international players and might lose its market share.

3. Many of the small business owners and workers from other functional areas may lose their jobs, as lots of people are into unorganized retail business such as small shops.

FDI Policy In India

FDI as defined in Dictionary of Economics (Graham Bannock et.al) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy.

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India ('RBI') in this regard had issued a notification, which contains the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. This notification has been amended from time to time.

The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/ sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP).

The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board ('FIPB') would be required.

FDI Policy With Respect To Retailing

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010 which provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.

b)   FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series).

c)   FDI is not permitted in Multi Brand Retailing in India.

Rational Behind FDI In Retail

It is believed that foreign direct investment (FDI) can prove to be a powerful catalyst which can spur competition in the retail industry. This in turn will lead to supply chain improvement, development of skill and manpower, betterment in the agricultural segment as well as improved efficiencies in small and medium scale industries. Increasing FDI in the retail segment is also believed to help expand the market size, which in turn will help enhanced productivity. As a result the government also stands to gain by way of increased GDP, tax income and employment generation.

With the consistently growing demand pressure, the unorganized retail segment will have to make way for the organized markets. In addition, the unorganized segment will fall short of addressing the growing demand for retail given the relatively weak financial state of unorganized retailers as well as the space constraints which restrict their expansion plans.

Impact on Consumers

It is believed that the overall consumer spending has witnessed an increase backed by the entry of the organized retail. Even though unorganized retail markets come with their set of benefits which include consumer goodwill, credit sales, bargain potential, ability to sell loose items, convenient timings, and home delivery, the consumers most certainly stand to gain from the expansion in organized retail on multiple counts. In addition, proximity remains a major comparative advantage for the unorganized outlets. However, it has been witnessed that the organized retail outlets have proved to provide better savings to the less well-off consumers other than providing saving to all the income groups in general.

Major Key Players

As India's retail industry is aggressively expanding itself, great demand for real estate is being created. The cumulative retail demand for real estate across India is expected to reach 43 million square feet by 2013.

Around 46 per cent of the total estimated demand between 2009 and 2013 will be come from Tier-1 cities. For instance, Pantaloon Retail added 2.26 million square feet (sq. ft.) of retail space during the fiscal 2011 and booked over 9 million sq. ft of retail space to fructify its expansion plans in future.

Some of the key players in the Indian retail market, with a dominant share are:

1.   Pantaloons Retail Ltd, a Future group venture: Over 12 mn sq. ft. of retail space spread over 1,000 stores, across 71 cities in India.

2.   Shoppers Stop Ltd: Over 1.82 mn sq. ft. of retail space spread over 35 stores, in 15 cities.

3.   Spencer's Retail, RPG Enterprises: Retail footage of over 1.1 mn sq. ft. with approx 250 stores, across 66 cities.

4.   Lifestyle Retail, Landmark group venture: Has approximately 15 lifestyle stores and 8 Home centres.

Other major domestic players in India are Bharti Retail, Tata Trent, Globus, Aditya Birla 'More', and Reliance retail.

4.12   RETAILING IN RURAL INDIA

Retail and Rural have almost become the buzz word for corporate world and marketers in India. Rural India has become the land of opportunities of marketers due to its vast outlook and changing scenario. Retailing is not only an important aspect of the economic structure but very much a part of our lives. Although trading of goods have been in existence since the olden days, it is only in recent past buying and selling has become more structured and formalized, in fact, today retailing is evolving into a global, high tech business. Organised retail has emerged since year 2000 and since it has grown to heights. If we talk in Indian context than for centuries, India has been operating within its own unique concept of retailing in the forms of weekly haats which still exist in rural markets and are now targeted by big companies to sell their products. Retailing is counted as one of the biggest industry in the Indian market. It has changed its face from unorganized to more organized, and is

now focusing on rural India for its further growth. Rural Consumers are heterogeneity in nature (Rural specific and Region specific) whereas Urban Consumers are homogenous in nature. Rural bias: Nearly two thirds of the stores are located in rural areas. Rural retail industry has typically two forms: "Haats" and "Melas". Haats are the weekly markets : serve groups of 10-50 villages and sell day-to-day necessities. Melas are larger in size and more sophisticated in terms of the goods sold (like TVs). Retailing is the final phase of the distribution channel and it is clear by now that it is availability and distribution that drives growth in rural Indian markets. Hence retailing will be significant and will undergo greater organisation change and these changes are being witnessed in the urban markets, even in the rural markets. Innovative retail models which take into account the nuances of rural markets is the way forward. Buying behaviour of rural consumer indicates that the rural retailer's influences purchase decisions. Therefore sheer product availability can affect decision of brand choice, volumes and market share. India offers a huge, sustainable and growing rural market which can be tapped effectively through innovative distribution channels with retailing being the most critical element of this strategy as it is the final touch point and the actual touch point with the customer which can be the most critical influence in the buying process.

In India for a long time a large chunk of retail outlets were grocery shop. This pattern had been changing in recent years, in urban and rural markets. Of late, India's largely rural population has also caught the eye of retailers looking for new areas of growth. A slew of supermarket chains, including those of the Tata and ITC, are set to storm the rural areas of the country as corporate realize the huge potential of the untapped market ITC launched the country's first rural mall 'Chaupal Sagar', offering a diverse product range from FMCG to electronic appliances to automobiles, attempting to provide farmers a one - stop destination for all of their needs. Companies such as Godrej and DCM Shriram Consolidated are launching `one stop shops' for farmers and their communities. Godrej Agrovet, for instance, is planning to set up many Aadhar stores across rural India.

Major Retailers in Rural India

- **ITC Chaupal Sagar** - e-Choupal is termed as one of the most innovative concepts of independent INDIA. eChoupal is an initiative of ITC Limited, a large multi business conglomerate in India, to link directly with rural farmers via the Internet

for procurement of agricultural and aquaculture products. Following the success of the e-Choupal, the Company launched Choupal Saagar, a physical infrastructure hub that comprises collection and storage facilities and a unique rural hypermarket that offers multiple services under one roof. This landmark infrastructure, which has set new benchmarks for rural consumers also incorporates farmer facilitation centres with services such as sourcing, training, soil testing, health clinic, cafeteria, banking, investment services, fuel station etc. 24 'Choupal Saagars' have commenced operations in the states of Madhya Pradesh, Maharashtra and Uttar Pradesh. ITC is engaged in scaling up the rural retailing initiative to establish a chain of 100 Choupal Saagars in the near future.

- **HUL – Project Shakti** - HUL provides training on basic accounting, selling skills, health hygiene and relevant IT skills to Shakti entrepreneurs and equips them with smart phones which have been enabled with a mini Enterprise Resource Package (ERP) which helps them to run their business efficiently and further augment their income. HUL has trained thousands of Shakti Ammas across the villages in a bid to develop an entrepreneurial mindset and make them financially independent and more empowered. The Shakti programme was extended to include 'Shaktimaans' who are typically the husbands or brothers of the Shakti Ammas. Shaktimaans complement our Shakti Ammas. They sell products on bicycles in surrounding villages, covering a larger area than Shakti Ammas can cover on foot. Today, Project Shakti provides livelihood enhancing opportunities to nearly 70,000 Shakti Entrepreneurs who distribute our productions in more than 162,000 villages and reach over four million rural households. There are 48,000 Shaktimaans across India.

- **Dabur Swavalamban** -Dabur India, one of India's leading FMCG companies and the world's largest ayurvedic and natural health care company, announced the successful completion of employment guaranteed training of the first batch of rural youth under its ambitious community development initiative, 'Swavalamban'. 18 young boys have completed the month-long training programme under this initiative and were today awarded the completion certificate and a job offer letter, offering all the 18 rural youth employment immediately after completing the course. This

mega initiative is aimed at improving the employability of local youth from villages by providing them free technical training and skill development opportunities. The Project, being run in association with the Rural Development and Self-Employment Training Institute (RUDSETI), will offer training to rural youth on three key areas of Sales, Merchandising and Promotion. The group will be offered guaranteed employment, post completing their training.

- **Tata Kisan Sansar** - The objective of the Tata Kisan Sansar (TKS) network is to enable and empower the farmer in creating and generating more value for farm produce by providing information on new and improved agronomic practices and by facilitating better and more efficient use of agricultural inputs. The philosophy behind TKS is to become a change agent for the Indian farming community

4.13   SUMMARY

Manufacturers engage in retailing when they make direct-to-consumer sales of their products through their own stores (as Bata and Carona shoe companies, D.C.M. Stores, Mafatlals and Bombay Dyeing) by door-to-door canvass or mail order or even on telephone. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling. A retailer is a merchant or occasionally an agent or a business enterprise, whose main business is selling directly to ultimate consumers for non-business use. He performs many marketing activities such as buying, selling, grading, risk-trading, and developing information about customer's wants. A retailer may sell infrequently to industrial users, but these are wholesale transactions, not retail sales. If over one half of the amount of volume of business comes from sales to ultimate consumers, i.e. sales at retail, he is classified as a retailer. Retailing occurs in all marketing channels for consumer products.

The e-retailing(less frequently; e-Retailing, e-Tailing, etc.) is the concept of selling of retail goods using electronic media, in particular, the internet. The vocabulary electronic retailing, that used in internet discussions as early as 1995, the term seems an almost in evitable addition to e-mail, e-business and e-commerce, etc. e-retailing is synonymous with business-to- consumer (B2C) transaction model of e-commerce. Although e-retailing is an

independent business model with certain specific constituents like; trust model, electronic transaction process, etc, but in reality it is a subset of e- commerce by nature.

E-Retailing stores sell online promotion only for goods that can be sold easily online, e.g., Amazon did for Books & CDs, etc. The online retailing require lots of displays and specification of products to make the viewers have a personal feel of the product and its quality as he gets while physically present in a shop.

E-Retailing refers to retailing over the internet. Thus an e-Retailing is a B2C (Business to customer) business model that executes a transaction between businessman and the final consumer. E-Retailers can be pure play businesses like amazon.com or businesses that have evolved from a legacy business such as tesco.com. The e-retailing is a subset of e-commerce. Thus, e-commerce is the master domain defining the e-retailing operation.

Despite the tremendous potential that exists, as stated earlier, retailing is among the lesser evolved sectors in the Indian environment. Given the enormous amounts of investments to be made, Foreign Direct Investment (FDI) is expected to play a very significant role. The Indian economy in this respect is highly regulated.

A strong FDI presence in the retail sector will not only boost main stream retailing but will also provide an impetus to FDI investments in up stream activities. This will be more prominent in food processing and packaging industries, because many large retail chains also promote their own brands by way of backward integration or contract manufacturing. Taking cognizance of the demands made by the industry and the need to give the retail trade a fillip, the Government is actively considering, removing this restriction. The Ministry of Commerce has proposed permission for 100% FDI, subject to Government approval on a case to case basis.

4.14   GLOSSARY

- **Retail:** A retail sale occurs when a business sells a product or service to an individual consumer for his or her own use

- **Retail Formats:** The retail format is the store 'package' that the retailer presents to the shopper. A format is defined as a type of retail mix, used by a set of retailers.

- **Service Retailing:** Service retailing is when the emphasis is put on the intangible, the service and the relationship with the customer. Example of service retailing is car washing, pest control etc. Service retailing could involve products but the customer gives more importance to the service provided rather than the product.

- **E-Retailing:** Electronic retailing (E-tailing) is the sale of goods and services through the Internet.

- **FDI:** A foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country.

- **Business Environment:** Business Environment is sum or collection of all internal and external factors such as employees, customers' needs and expectations, supply and demand, management, clients, suppliers, owners, activities by government, innovation in technology, social trends, market, etc.

4.15   SELF ASSESSMENT QUESTIONS

1.   What are the different types of Retail outlets and name some food retail outles that are popular globally?

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2.   Discuss in detail the status of FDI in Retailing with respect to India?

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3.   Discuss the scope and advantages of e-retailing at the global level?

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4.16   LESSON END EXERCISE

1.   "Retailing is not only an integral part of our economic structure but also shapes and is shaped by, our way of life." Discuss.

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2.   What are the advantages and disadvantages of FDI in Retail Sector in India?

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4.17   SUGGESTED READINGS

• Sahni and Parti: Retail Management (Kalyani Publishers)

• Bajaj, Tuli and Srivastava, Retail Management, New Delhi: Oxford University Press

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RETAIL STORE LOCATION

STRUCTURE

5.1   INTRODUCTION

5.2   OBJECTIVES

5.3   CONCEPT OF RETAIL STORE LOCATION

5.4   RETAIL LOCATION STRATEGIES

5.5   SITE EVALUATION AND SELECTION

      5.5.1   TYPES OF LOCATION SITE

      5.5.2   FACTORS DETERMINING LOCATION SELECTION

5.6   RETAIL STORE LAYOUT

      5.6.1   EXTERIOR LAYOUT

      5.6.2   INTERIOR LAYOUT

5.7   VISUAL MERCHANDISING

      5.7.1   THE IMPORTANCE OF VISUAL MERCHANDISING TO BRANDS

      5.7.2   MOST IMPORTANT ELEMENTS OF VISUAL MERCHANDISING

5.8   ROLE OF CUSTOMER SERVICE IN RETAIL

5.1   INTRODUCTION

India is known as nation of shopkeeper, as there are huge number of retail enterprises in India out of which about 98% are small family businesses.

Location is the most important ingredient for any business that relies on customers. It is also one of the most difficult to plan for completely. Location decisions can be complex, costs can be quite high, there is often little flexibility once a location has been chosen and the attribute of location have a strong importance on retailers overall strategy.

Location is a major cost factor because it:

•   Involves large capital investment

•   Affects transportation cost

•   Affects human resources

Location is major revenue factor because it

•   Affects the amount of customer traffic

•   Affect the volume of business

5.2 OBJECTIVES

After going through this unit, you will be able to understand more about retail strategy by:

- Suggesting the retail store location and layout for efficient store operation,

- Country and region analysis to identify a better trade area,

- Site evaluation and selection for appropriate location,

- Store design and layout - exterior and interior store design and layout - for comprehensive store planning to achieve success in a competitive environment

5.3 CONCEPT OF RETAIL STORE LOCATION

When it comes to business, retailers have one overall goal: to sell merchandise. That's why they focus on sales floor space, adequate parking for customers, and an overall image that draws in customers. Of secondary interest to many retail operations are office space and storage requirements, since most inventory is on the sales floor. A retail operation's space is usually subdivided among display, office, and storage. As a rule of thumb, office and storage spaces take up 10 to 25 percent of the total floor area. While the storage and office spaces are important parts of any retail operation—to handle shipping and receiving and related chores, to take care of paperwork, and to store extra inventory— you want to get the most out of all space that's not used for display and sales. Here's where good organizational skills come in handy, along with shelves and cabinets and anything else that helps you maximize your space. If you're not an organizer by nature, hire someone who is. Look in the Yellow Pages under "Organizing Services—Household and Business." Retail space comes in a variety of shapes and sizes and may be located in free-standing buildings, enclosed malls, strip shopping centers, downtown shopping districts, or mixed-use facilities. You will also find retail space in airports and other transportation facilities, hotel lobbies, sports stadiums, and temporary or special-event venues.

Having a good location for retail is one of the crucial impacts in the case of the marketing strategy of retail because many of the associated long-term decisions and commitments depend on the location of the retail. Having a good location is one of c primary element in

219

attracting prospects and customers. At times a good location can also lead to an excellent competitive advantage because in retail marketing mix location is one of the crucial parameters and unique which cannot be copied by competitors in any way. A good retail location as a competitive advantage which cannot be copied by the competition. One location can occupy one retail store, and time also plays a crucial role along with the location.

For example, the retail store of Gucci opens up in a particular neighborhood then, and for a couple of months, that is the store which is going to be the only purchase point of all the Gucci products for a neighborhood.

If Nike shows up in the same neighborhood after a couple of months, it won't be possible for Nike to occupy the same location as of Gucci. Nike store has to be located either very close, which entirely depends on the availability of the location, or it has to be placed very far from the Gucci store thereby targeting a different neighborhood and different customers.

Customer proximity is another concern for most of the retail businesses. Several stores can be opened away from the city with a cheaper budget, but it won't be possible for the retailers to bring customers to that particular neighborhood.

Hence the retailers have to think the way customer would think and open a store which would be convenient for the customers. Since geographically, peoples are spread out at every possible location, retailers cannot open a store in every neighborhood and instead they have to think of a Central location which would be accessible by most of the neighborhood within a particular diameter of the circle.

The retail store should be close to the place of customers. The word to use here has no quantification, and it cannot be quantified at the store should be located within 1 mile or ten miles of the customer, and it is a dependent on the locality in the country and the probability of the retailer.

Having a convenient retail store helps the organization to make supply chain and distribution arrangements easy for a particular outlet. This reduces the cost of the organization as brothers when it comes to meeting the immediate demands of the customer and fulfilling the urgent orders the retail outlet will not have any difficulty in doing so.

Because the transportation cost is reduced, it reduces the overall cost of supply chain management and operations that by everything the retail store and the retail corporation to go close to the six sigma process. Having many retail stores nearby also enables the retail corporation to store and bed storage houses at one convenient place from which most of the retail outlets can be created within no time. This reduces the wait time and also reduces the 'No Stock' incidences in stores.

A well placed retail store can also help to influence the buying habits of the customers. Customers will always prefer their brand, but most of the times, customers also referred to avoid a hassle to get to their store and compromise on other brands as well.

For example, a die-hard fan of Pepsi lives in a particular neighborhood, and the availability of Pepsi is ten blocks away from his place.

Since the person is a die-hard fan of Pepsi, he will make sure to stock up his home with Axis Pepsi, but there will be times when we will have to walk those blocks or take a suitable means of transportation to the place and by Pepsi for himself. Couple of days later results is that there is a store which is just one block away from his place but has Coca-Cola. One fine day that customer tired of walking down ten blocks research to go for Coca-Cola and why is it from the place which is one block away from this place. He tries Coca-Cola and finds it on the same level as Pepsi and decides to stop buying Pepsi and switches to Coca-Cola. There are few of the types of business operations that can be considered by retailers depending on the nature of the business, and the customers they serve

A location decision is influenced by the flow of pedestrian and vehicular traffic, which determine the footfalls in a retail store. Footfalls refer to the no. of customers who visit a store in a defined time period.

Importance of Location Decision

- Even though non-store retailing is growing, most of the retailers are still selling from retail store space. Some of these retailers are very small single-store operators, and some are huge superstore discounters. Each location selected resulted from an effort to satisfy the needs of the particular market each was designed to serve. Many factors together like, customer's need for convenience, their desire to do

comparison-shopping, and the extent of the purchasing power in a market area, of the transportation facilities available etc. led to the development of different kinds of retail locations. There is an old saying that three things determine the value of real estate: location, location, and location. Nowhere is that more the case than with stores.

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

- Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighbourhood have been identified as satisfactory; a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A through study of customers and their shopping behaviour should be made before a location is chosen. The finest store in the world will not live up to it potential if it is located where customers cannot or will not travel to shop. The primary role of the retail store or center is to attract the shopper to the location. Alternatively, retailers must take the store to where the people are, either at home or in crowds. Examples of taking the store to where the crowds are include airport location, theme parks and vending machines.

- Every retail store strives for its competitive advantage. For some stores, it is price. For others, it is promotional expertise of the special services that are offered. Despite any differences among the various stores that may be competing for the shopper's rupees, location offers a unique asset for all stores because once a site is selected; it cannot be occupied by another store. This advantage, however,

222

points to the importance of location analysis and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years. In short, location and site selection is one of the most important decisions made by a retail owner. We need to look for ways to optimise this process.

5.4 RETAIL LOCATION STRATEGIES

A retailer should first begin with a mission statement. This helps retailer, its employees, and its customers understand the purpose of the business. The core concepts and culture that come from a mission statement flow from the choice of the strategies selected in an attempt to achieve a competitive advantage. Location may be the primary strategy selected, or it may be merchandise, pride, service, or communication. Whatever strategy is emphasized, location is a critical variable.

The retailer should analyze the type of products he wants to sell before selecting his retail store location. They may be classified into three categories.

      a)   Convenience Goods

      b)   Speciality Goods

      c)   Shopping store Goods.

Owners or managers who wish to emphasize merchandise quality will require an entirely different location than managers of a low-margin discount house.

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

Issues considered in Location Analysis

The several factors used in location analysis are:

1)   Demographics,

2)   Economic,

3)   Cultural,

4) Demand,

5) Competition, and

6) Infrastructure

Some of the issues will be more helpful in the discussion of the a) "macro" areas (country and region) as opposed to the b) "micro" areas (trade area and site evaluation), and vice versa.

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

a) **Country and Regional Analysis**

Many retailers have found success establishing locations in other countries. Because of the high market saturation in the United States, many U.S. retailers ranging from Toys 'R' Us and McDonald's to J.C.Penney have expanded overseas in an effort to improve their bottom line. On the other hand, there are many important market characteristics in the United States that have attracted overseas retailers like Laura Ashley, Benetton, and the Body shop.

There is a need to recognize that country analysis will be an increasingly important aspect of the location strategy as merchants look for growth opportunities. After the decision is made as to what country or countries are to be considered, a regional analysis will need to be done. Most countries are not completely homogeneous and need to be broken down into regions for to better understanding of the market characteristics by a retailer.

For example, the United States is normally divided into the following regions: Pacific, Mountain, West North central, East North 58 central, West south central, East South central, South Atlantic, Middle Atlantic, and New England. Regions may differ on many characteristics such as population demographics and density, climate, cultures, and distribution infrastructure.

The importance of examining countries and regions by their macro characteristics can be illustrated by the importance of today's distribution infrastructure to the

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

1) **Demographics**

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

For Example a country like India would be an attractive market for setting up a retailer outlet for IT products as India has predominantly young population.

2) **Economic**

Businesses operate in an economic environment and their decisions are based on economic analysis. Economic factors such as a country's gross domestic product, current interest rates, employment rates, and general economic conditions affect how retailers in general perform financially. Gross domestic product is a measure of the goods and services produced in the country. For example, employment

225

rates can affect the quantity and quality of the labour pool available for retailers as well as influence the ability of customers to buy.

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

Let us consider the example of China. The country has a billion people, a low but growing per capita income, and major urban areas even though the country is largely rural. Consumers are used to purchasing food product on an almost daily basis. They pay close attention to prices and often prefer to haggle. Japan's supermarket chain, Yaohan, sees increasing economic well-being as a signal for opportunities in china. A wall street journal article tells how the Japanese firm is attacking the market: "Yaohan's joint – venture super market, a 7,000 – square – foot store wedged into the ground floor of an apartment complex in a working class district, sells most locally produced fresh and packaged goods at prices that match or beat those at local stores." The company plans to open 1,000 stores buy the year 2010.

3) **Cultural**

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

Some retailers have found it useful to market to the cultural heritage of their

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

4) **Demand**

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

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

5) **Competition**

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

6) Infrastructure

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

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

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

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

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

b) **Trade Area Analysis**

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

Trade Area Selection Considerations include the following

1) **Demographic**

We have said that perhaps no variables are more important to the retail manager than the demographic dimensions of a market. Whether the retail trade area is the central city, a growing suburb, or a quiet rural area, you must understand the people who live and work there. Once the basic characteristics are identified and a judgement is made as to how far one of the customers would travel for the goods, the total market has been determined.

Factors, such as current population, potential population, population density, age, income, gender, occupation, race, proportion of home ownership, average home value, and proportion of single versus multifamily dwellings are important considerations. Wh e r e consumers live, their commuting patterns, change in their numbers are but a few of the dynamic characteristics of the trade area population that the retailer must consider. It may be quite helpful to construct maps that display where certain types of customers reside.

As you learned, market segmentation is the process of grouping individuals according to characteristics that help define their needs. Each of these groups of similar individuals is called a market segment. No matter how many different

229

segments you may find within any given retail market, you may choose to satisfy only one or just a few of them. Each segment that a retailer attempts to satisfy is a target market.

2) Economic

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

3) Subculture

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

4) Demand

The economy of an area under consideration for location should provide a general indicator of the long –range retail opportunities present within an area. The number, type, trends, and stability of industries that might affect business in the market area need to be considered. Employment rates, total retail sales, segment retail sales, household income, and household expenditures all provide information from which the economic stability of the area can be ascertained.

The buying power index (BPI) indicates the relative ability of consumers to make purchases. Sales and marketing management, in their survey of buying power, publishes the BPI for most metropolitan statistical areas (MSAs) yearly. The BPI combines effective buying income (weighted 50

percent), retail sales (weighted 30 percent), and population (weighted 20 percent) in a single measure of the purchasing power of consumers.

Rank	Area	Buying Power Index
1	Los Angels – Long Beach	3.328
2	Chicago	3.2821
3	New York	3.2802
4	Washington	2.1005
5	Philadelphia	2.0676
6	Detroit	1.7938
7	Boston	1.6443
8	Houston	1.4994
9	Atlanta	1.4004
10	Nassau-Suffolk	1.2810
Total top ten markets		27.67
Total top fifty markets		50.8491

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

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

BPI = 0.5 (%of U.S. EBI) +0.3 (% of U.S. retail sales) + 0.2 (% of U.S. Population)

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

5) **Defining the Trade Area**

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

a)   Reilly's law and

b)   Huff's model.

They are called gravity models because they attempt to look at the retail customers and where they will be pulled by the gravity of retail centres. We also introduce the idea of

c)   Concentric circles and

d)   The use of geo demographics.

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

a) **Reilly's Law**

Among the most simple of the models is Reilly's law. Reilly's Law states that a customer will travel a distance to shop based on the population of the shopping area and the distance between areas. In essence, it specifies a break point up to which the customer will travel to the city on the same side.

Reilly's law is most useful for calculating the trade area boundaries between two cities. However, it can also be used to calculate the break point between metro areas and surrounding communities, although it is less precise. Reilly's law is based on a simple rule that population centres attract retail shoppers. A trade area can be defined by using Reilly's law to calculate the break points between a city of interest and surrounding city. The major disadvantage of Reilly's model is that it assumes all retail characteristics are proportional to the size of the population in an

232

area. It does not explicitly consider such things as differences in retailer types or the number of stores in an area. Let us look at an example of using Reilly's law to calculate the break point between a city and the surrounding population centres.

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

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

Steps to use in calculating Reilly's Law

1. Draw a line from city center to a city center between the city of interest and all surrounding cities.

2. Measure these lines with a ruler, and convert from inches to miles using the map legend. (e.g., if 15.5 miles = 1 inch, then multiply the number of inches by 15.5 to get miles)

3. Find the population of each city that is connected by a line

4. Use Reilly's formula to calculate the break point distances.

   Break point = Distance between cities

   Distance 1 + square root of (Population of the large city/

   Population of the small city)

5. Complete Table above

6. Change the break point miles into inches (e.g., if 15.5 miles by 15.5 to get inches).

233

7.   In Reilly's law, all break points are always measured starting from the city with the smaller population. The number of inches from step 6 for each line is measured from the smaller population city the using a ruler. Mark and label these points.

8.   Connect the points from step 7 to define the trade area.

b)   Huff's Model

David Huff developed a slightly more complex alternative to Reilly's Law. **Huffs model** considers the size of the shopping center, how long it would take a customer is looking for. Huff's model gives retailers an approximate probability of how likely it will be for a consumer to travel to a specific shopping center. The formula used to calculate Huff's model is shown below. It looks complicated, but it really isn't. Let us go through an example.

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

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

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

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

$$Prob = \frac{sqft_i}{\underline{\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad}}$$

Travel time to competing shipping centers

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

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

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

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

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

235

fifty/ twelve to the power two) + (Four hundred/ fifteen to the power two) = 11.37%

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

c)   **Concentric Zones**

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

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

d) Geo-Demographics

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

6) Estimating Market Potential

Once the retail trade area has been identified and the relative segmenting variables applied, certain quantitative factors must be considered to decide if the area is suitable. These factors include the retail 70 market potential of a retail trade area and the retail ales potential. **Retail market potential** is the total dollar sale that can be obtained by all stores selling a particular retail product, product line, or group of services within the retail trade area if everything was maximized. Therefore, retail sales potential is a part of retail market potential. A **retail sales forecast** is the specific estimate of sales volume that a retailer expects. If the retailer is new in the area or because of the entry of a new competitor, the sales forecast may be less than the estimate of retail sales potential.

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

237

Population statistics are commonly used in arriving at market potential and are expressed on a per capita, per household or per family basis. The other factor is per capita expenditure.

A retail trade area may have little relationship to these political boundaries. The merchant may be able to get a more detailed breakdown of population by checking:

The local chamber of commerce for any detailed studies it any have made.

The local newspaper for circulation statistics

The local post office for the number of box holders on delivery routes

The local public utilities office for information on the number of residential electric or gas meters

The city planning office, fire department, and police department for information on the number of residents within a specific retail trade area.

Regardless of the sources used, however, the merchant will probably find it necessary to adjust population information for a retail trade area by using the data collected in combination with individual judgement about the area. In addition to population information, the retailer must collect data on the number of dollars being spent by consumers for the product or product line in question.

7)   **Estimating Sales Potential**

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

The competitive strengths in the market

The amount of business that can be drawn from substitute products

Management's own expertise

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

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

8)   **Index of Retail Saturation**

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

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

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

Out Shopping

A critical element of any estimate of sales potential is out shopping. **Out shopping** occurs when individuals within your retail trade area go outside your area to shop for similar goods or services. This is a serious problem of smaller shopping areas or communities located near metropolitan areas. Box 6.4 presents an interesting ethical dilemma based on an out shopping issue.

You must be careful that your market potential and sales potential estimates do not overstate the true market potential for your community. Out shopping can also occur for specific merchandise. In fact, the presence of out shopping may be an indicator that there is a need for specific good or service assortments within your retail trade area.

It is difficult to combat the out shopping phenomenon. The most frequently cited reason for out shopping is the belief that a better assortment of goods and services exists outside the immediate area. The next concern is price. Quite often, smaller communities do not have the level of competitive intensity or the aggregate volume to get prices as low as they are often found in larger metropolitan areas. For example, your author bought an alternator from Auto Zone in a town of 30,000 people less than a one-hour drive from his home and paid $84. The price in the metropolitan city was $64. How would you have felt? The best advice for areas affected by out shopping is to emphasize your merchandise assortment, promote services such as return privileges close to home, and minimize the importance of price. The smaller store cannot compete head to head on price, so do not try. Offer value; it will be the only long-term win – win solution.

9)   Infrastructure

We have talked about how the infrastructure –including roads and highways, distribution warehouses, communications facilities, and labour pool-must is adequate for a country or region. The same is even truer for trade area

analysis. The legal infrastructure can also affect the trade area selected for your store. State and local laws vary concerning advertising, zoning, and sign restrictions for retailers.

5.5   SITE EVALUATION AND SELECTION

Various options are available to the retailer for choosing the locations of his store. The choice of the location of the store again depends on the target audience and the kind of merchandise to be sold.

5.5.1   Types of Location site

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

(I)   The shopping center,

(II)   The business district, and

(III)   The free-standing location.

I)   Planned Shopping Centres

The expansion of suburbia brought with it planned residential developments. Many new city streets and thorough fares along which retail businesses could be established connected these new sub divisions.

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

Several important issues surround the choice of locating a retail business in a planned shopping center. One important consideration is the nature of

the business sharing leases space within the center. Recent research has shown that either the image of your retail business will be positively or negatively influenced by the types of business that surround you, a process that is called image transference.

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

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

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

Type	Concept	Sq.ft including Anchors	Acreage	Number	Type	Anchor Ratio*	Primary Trade Area
Neighbour hood center	Convenience	30,000-150,000	3-15	1 or more	Super market	30-50%	3 miles
Community center	General, merchandise, convenience	100,000-350,000	10-40	2 or more	Discount dept, store, supermarket, drug, home improvement large specialty/discount apparel	40-60%	3-6 miles
Regional center	General, merchandise, fashion (mall, typically enclosed)	400,000-800,000	40-100	2 or more	Full –line dept. store, jr. dept. store, mass merchant, disc. dept. store, fashion apparel	50-70%	5-15 miles
Super regional center	Similar to regional center, but has more variety and assortment	800,000 +	60-120	3 or more	Full –line dept. store, jr. dept. store, mass merchant, disc. dept. store, fashion apparel	50-70%	5-25 miles
Fashion /speciality center	Higher end, fashion assortment	80,000-250,000	5-25	N/A	Fashion	N/A	5-15 miles
Power center	Category dominant anchors, few small tenants	250,000-600,000	25-80	3 or more	Category killers, home improvement, discount dept, store, ware house club, off-price	75-90%	5-10 miles
Theme/festival center	Leisure, tourist oriented, retail and service	80,000-250,000	5-20	N/AC	Restaurants, entertainment	N/A	N/A
Outlet center	Manufactures' outlet stores	50,000-400,000	10-50	N/A	Manufacturers' outlet store	N/A	25-75 miles

1.   **Neighbourhood Shopping Centre**

This type of retail location is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighbourhood. Roughly, a super market anchors half of these centers, while about a third has a drugstore anchor. Smaller stores offering drugs, sundries, snacks, and personal services support these anchors. A neighbourhood center is usually configured as a straight –line strip with no enclosed walkway or mall area, although a canopy may connect the storefronts.

The relatively small size of the strip center means that it offers a rather narrow array of convenience or speciality stores. It is best designed to serve individuals

living in the immediate vicinity or frequent passers by who would see the stores in the center as being "convenient". The neighbourhood strip center can be placed almost anywhere that land permits. Inter sections and main thoroughfares are the most popular sites.

Notably, recent changes in shopping patterns have seen a move away from urban and regional malls to this neighbourhood formats. The **gross leasable area (GLA)** of these types of centers ranges from 30,000 to 150,000 square feet on a site of 3 to 15 acres, with the typical size being about 50,000 square feet. If the target market for a retail store matches the profile of the neighbourhood center, and it can survive with the number of residents within the trade area served by the center, then this may be a suitable location for the business.

2. **Community Shopping Centre**

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

The community centers usually have 100,000 to 350,000 or more square feet of gross leasable area. Some 90 percent of the newer centers measure less than 150,000 square feet of GLA.

A retailer's decision to locate with in a community center will be based on the ability to benefit from traffic drawn from across the entire community. Because the rental rates in the community centre will be much higher than those for a neighbourhood are or strip center, the revenue benefits must be worth the additional costs.

3.   **Regional Shopping Centre**

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

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

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

4. **Super Regional Shopping Center**

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

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

5. **Fashion/Speciality Centre**

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

6. **Power Centre**

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

Power centers are usually constructed as large strip centers with at least 75 percent of the gross leasable area devoted to three or more high-traffic high – volume discount – oriented anchor – type tenants. For example, service merchandise,

Pets Mart, Best Buy, Office Depot, and Toys 'R' us could share a common parking area in much the same fashion as a traditional shopping center. Not all power centers are newly constructed. In fact, many viable "Power centers" are traditional community shopping malls or older open centers that have been revived as discount shopping centers. In between the anchor stores are smaller leasable areas for independent or chain discount retailers. A major consideration will be price and assortments. The smaller tenant in the power center will need to be a niche discounter. While traffic counts will be very high for the power centers, the anchor stores will generally cover a broad spectrum of product lines. To successfully compete in the backyard of these discounts giants; a retailer will have to carefully select merchandise and the services offered should be consistent with the needs of the power centre shopper.

7.   **Theme / Festival Center**

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

8.   **Factory Outlet Center**

Usually located in a rural or occasionally in a tourist area, an outlet center consists mostly of manufactures stores selling their own brands at a discount. An outlet center typically is not anchored. A strip configuration is most common, although some are enclosed malls and others can be arranged in a "Village" cluster. Factory outlet malls draw a combination of middle and lower class socio-economic customers. Some contemporary factory outlet centers also include some off price

stores, particularly newer multilevel mall – style formats. In addition, given the larger scale for mats of outlets centers, factory outlets seem ideally suited for tourist destinations.

Factory outlet stores provide manufactures with a way to sell the products that were over produced with out going through the traditional retail distribution channel. Sensitivity to location is a key issue here since many brands can be sold in both a factory outlet store and the traditional retail store. Factory outlet stores seem to be most popular among speciality clothing, sporting goods, leather goods, luggage shoes, and house wares manufactures. A factory outlet mall is typically located at least thirty miles from national retail chains in order to draw traffic.

II)   Central Business District

The **central business district (CBD)** is a shopping area located in either the central downtown area or another area in the city with a con-centration of businesses. Until the mid – 1970s, the CBD was the core for shopping in most cities. When cities were relatively compact and much smaller, the largest share of retail shopping was done in this downtown area. The CBD contained the largest concentration of department stores. Clothing stores, jewellery stores, variety stores, and specialty stores. When the CBD was thriving, it mad possible large scale comparative shopping for all types of merchandise. Ironically, the CBD was an early "mall" con-cept in that stores where relatively closed and comparison could be made easily. The downtown area also met the needs of out of town shoppers, who would frequently be visiting on business or staying in a downtown hotel.

Reuse and modernization of commercial buildings also promise to help return of the street level retail activity to downtown areas. A retailer must decide whether renovation of downtown building space is commercially feasible. The following attributes should be considered;

(1)   Easy access from street,

(2)   Abundance of foot and vehicular traffic.

(3)   Space and lighting for appropriate signage,

(4)   Physical dimensions required to support business use,

(5)   A contiguous population that can correlate with the quality of shops and their brand name merchandise and the expected cost of goods, and

6)   The design enticements make the location a unique shopping experience.

III)   Free Standing Locations

This type of retail store is physically different from other retail stores. It does not enjoy the same benefits that shopping centres offer from the stand point that customer of a free standing store must have made a special trip to get there. Shoppers are not "just next door" and decide to walk in as they could in a mall or strip center. Freestanding locations constituted about 22 percent 32 of all retail space, and a recent survey of retailers shows that this category leads all others for future importance.

Drive in locations is special cases of freestanding sites that are selected for satisfying the needs of customers who shop in their automo-bile. In some situations, the drive – in aspect of the retail business is only to supplement existing in – store sales, but the same requirements of all drive – in location apply. These sites are usually positioned along or decide heavy traffic arteries in neighbour hoods, city streets, or inner city through fares because, as the experience of McDonald's shows, up to 55 percent of total store sales are often attributable to drive – through business36. Stores that rely totally on drive – in and walk up business, such as Fox Photo, are designed to offer extremely quick service and require a significantly smaller amount of space than more traditional park – and – shop stores. In fact, drive – in – only retailers often fined that they can price competitively because of reduced overhead from smaller building and land size.

The total volume of passing traffic and the ease with which the traffic can enter and leave the store is critically important to the sales potential of the entire establishment. The greater the density of traffic, the greater the potential amount of business is likely to be derived. An automobile traffic count is necessary to identify suitable

locations for drive-ins. Further, more, it is important that this traffic count be separated into direction, or flow.

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

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

5.5.2 Factors determining Location Selection

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

Let us summarize the key criteria critical to the site selection decision

1. **Sales potential for the site:** the demographic, economic, and competition factors and strategies by which management hopes to create a competitive advantage determine the estimate of sales for a site. Growth potential should be a basic consideration in the evaluation of the sales potential.

2. **Accessibility to the site:** Automobile and public transportation access to the site and adequate parking may well be defining criteria. There may be a

number of barriers to the target market seeing the site as accessible. The barriers may be geographical, such as mountains or rivers. They may be psychological, such as the perceived quality of the neighbour hoods through which customers must travel. Barriers are often man made, such as one-way frontage roads, bridges; clover leafs, and long term public works construction projects.

3. **Pedestrian accessibility at the site:** The site must provide reasonable actual and perceived access to the store. Traffic patterns within malls or on city, streets can help or hinder pedestrian access. The storefronts can intimidate or encourage entry. Neighbouring stores can bring potential customers near or drive them away. Have you ever watched customers turn away when they have to try to get to a store through a group of teens waiting in line to get tickets to the movie in the mall?

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

5. **Site Economics, Leasing and Occupancy terms:** The terms of the lease or purchase contracts have critical implications for the retailers. In a recent survey of retail managers, leasing options and terms were expressed as among their top concerns. Occupancy rates in the immediate or surrounding vicinity also have important implications to retail managers. For example, lower occupancy rates may improve your ability to negotiate a more favourable lease because

251

the developer is anxious to fill vacant space; but low occupancy may signal poor access, poor market variables, or poor management relations with the center owner /developer. Further more, even if the vacant space but low occupancy may signal poor economic viability in the market, too much vacancy can be an open door to a competitor. In fact, if the vacant space is sufficient, a competitor that you did not anticipate can quickly occupy it. The full range of the costs of occupancy must be considered. Local taxes, maintenance and unkempt costs, renovation costs, utilities, as well as the cost to rent or own are all critical factors.

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

7. **Physical features:** The physical features of the site and neighbouring area must not be overlooked. Whether it is raw land or an existing building, the physical dimensions of the site must fit your needs. Gap, for example, has adopted a standard layout for all its stores to simplify shelving, checkout, stock room, and merchandise display needs40. Consequently, if a site will not accommodate this predetermined configuration it is abandoned. The size and shape of a site, visibility of a site for signs, age of surrounding buildings, traffic flows by time of day, traffic turning patterns, and number of traffic lanes has critical implications to factors such as access, number of cars that can be parked or room for future expansion. Condition of building or rental space, visibility from the street, disabled and delivery access, parking lot condition and size, and interior décor must also be considered. A site that is functional today may not be functional tomorrow as your business expands. As an area grows, you need to be able to access whether or not the existing streets, highways, and intersections will accommodate the expanded vehicular traffic. The close proximity of older buildings may suggest that furniture development is unlikely or that the area is suffering from economic decline. Close attention to zoning must be paid when evaluating the physical features of a proposed site.

5.6   RETAIL STORE LAYOUT

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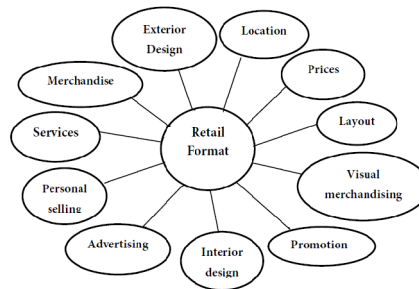
Comprehensive Store Planning

Comprehensive Store Planning implies looking ahead and designing out the future course of operation. It involves planning regarding exterior design, interior design, layout management, and interior design elements.
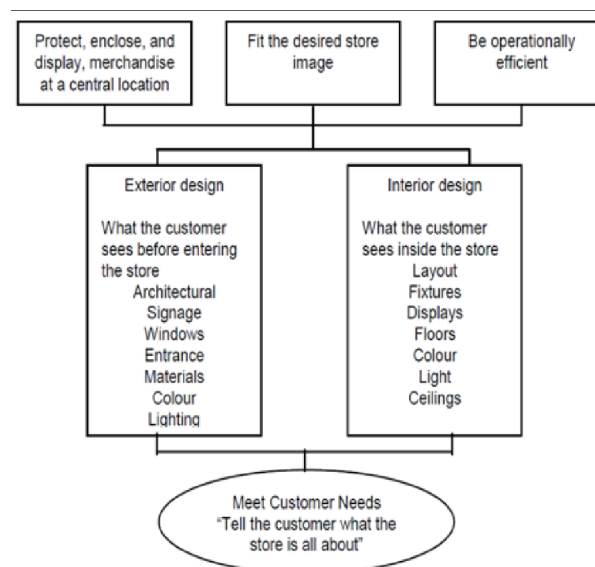
Store Design

Store design is the architectural character or decorative style of a store that conveys to the customer "what the store is all about." Stores vary so much in kind, size, and geographical location that it is difficult to generalize about design. The architecture of the store's exterior creates an initial impression. For example, if a retailer chooses to remodel an older Victorian home, the customer will get a different impression from that of a store in the mall.

The remainder of the 1990s will likely see design continue to be less concerned with aesthetics and more concerned with establishing an identity and marketing a store image5. Key issues like the 1990 Americans with Disabilities Act and state/local ordinances will continue to affect retail design, as our population ages and becomes more diverse.6 Because of continued pressure on costs, newer designs reflect a closer attention to all details including store size. The drive to reduce inventory levels has forced a move to smaller stores, because a large store with less merchandise looks as though it is going out of business. The stores showing an increase in store size are those attempting to diversify and broaden merchandise lines. Higher rents, building costs, and the more localized stores because of the customer's desire for convenience hurt larger, stand-alone and regional mall stores. Let us look at the planning process.

General Requirements in Store Design

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

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

1. **Customer Focus**

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

2. **Store Image**

   A comprehensive plan would include a process for community obtaining customer feedback regarding improvements and for continuously updating the design to reflect changing customer needs and wants. A store design serves two, often opposing, functions. First, and foremost, the design serves the functional purposes of protecting, enclosing, and displaying merchandise, while at the same time serving as a central location where customers can find the merchandise that they seek during convenient times.

   The second purpose relates to the symbolic needs of the customer. This includes the social aspects of shopping or owning a particular good from a particular store. The symbolic aspects of the store are anything that contributes to the overall store image. This may include environmental aspects, such as store atmosphere, or physical aspects, such as brand name products.

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

3. **Holistic Approach**

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

4. **Technology and Planning**

Store designs are becoming more complex as new formats evolve. For this and efficiency reasons, it is becoming more common to rely on technology to assist in developing a store layout design. Computer-aided design (CAD) helps plan stores that more space-efficient. Planning can be done quickly and changes are easy to make. New construction design for a 200,00-squre-design software and hardware.

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

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

5.6.1   Exterior Layout

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

1.   New Building versus Existing Facility

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

2.   Restrictions

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

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

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

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

3. Colour and Materials

The exterior colour texture of a store, give a lasting first impression to the consumer. Often, this will be the first and sometimes the only thing a customer sees of a store. It is important that the exterior look and "Feel" right to the shopper. The colours and material should express the image of the store.

Today's retailers are increasingly using textured building materials (brick, rough-sawn wood, and so on) at the store entrance to give a pleasant feeling to the façade. Steel buildings tend to create an impression of strength, whereas glass tends to create an altogether different impression, usually of a more modern store. Concrete or bock can contribute to the overall image of low cost or value. Brick may create a more upscale feeling.

4. Signs

Effective use of signs identifies the nature of the business, builds a corporate identity, communicates an image, ties the company to its advertising using a logo, and

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

(a)   Exterior Walls and Signs

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

5.   Windows

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

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

Window design is a function of the physical design of the store, and not something specifically requested by the retail manager or merchandising designer. The open back, as opposed to the closed back, is a window through which the interior of the store itself becomes the display case. When open-back windows are used, the store does not have valuable selling space tied up in windows, management need not concern itself with planning window displays, and the problems of keeping windows clean and timely are usually avoided.

However, the open-back window can cause unexpected display problems and exaggerate old ones. For example, the most significant concerns are reflection, sun glare, sun control, artificial lighting for both day and night, and the necessity for a general organisation of merchandise within a completely exposed store.

a)   **Awnings**

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

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

6. **The Store Entrance**

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

7. **Store Name**

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

At first glance, choosing a name for the business may seem to be a rather easy task. Unfortunately, this is not the case. The retailer who thought of the name Equulus for a small gift shop certainly made a mistake. This name is not pronounceable, and it has little meaning for the majority of the customers to whom the store is appealing. Often it is desirable that the name sound not only attractive but also prestigious.

Certainly, it must fit the type of store. For example, 'Budget weddings' was chosen as the name of store that provided package services for brides. It failed because brides-to-be did not like the mental picture of a truck with that store name pulling up to the church and the reception hall. They liked the low price but were embarrassed by the name. See Box 7.2 for some guidelines in this area.

8. **Theft Prevention**

Another area of concern with exterior design is employee and customer theft. The design must consider the flow of people in and out of the store and how they may be observed or pass through technology-based theft prevention. Exterior doors

and docks for receiving goods or trash disposal should also be designed and arranged to minimize opportunities for unauthorized entrance and exit.

9. **Multilevel Stores**

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

5.6.2 Interior Layout

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

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

1) Value of space,

2) Space utilization and allocation,

3) Customer traffic flow,

4) The types of goods,

5) Complementary merchandise proximity, and

6) The desired store image:

1.   **Value of Space**

The value of space, depending on the location within the store, is expressed in sales per square foot of floor space, and sales per cubic foot of cubic space.

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

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

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

2.   **Space Utilization and Allocation**

The available space in the store is divided into selling and nonselling areas. The nonselling space includes administrative offices, storage, and customer amenities, such as rest rooms. These are all critical requirements for a store. The desire to minimize nonselling space has led to several innovative operating procedures. Among

them is the restocking of inventory. Many retailers have begun using quick response (QR) inventory system, where inventory arrives from vendors or a distribution center as it needed on the selling floor. Many retailers lack the partnering relationships with vendors required for QR.

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

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

a)   **Allocation by Historical Sales**

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

b)   Allocation by Gross Margin

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

c)   Allocation by Industry Averages

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

d)   Allocation by Strategic Objective

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

3.   Storage of Stock

There are three accepted ways to handle storage in designing a retail store. The first way is to use **direct selling storage** – either exposed in showcases, counters,

and drawers, or concealed behind cabinet doors. The second way to provide for storage is through **stockrooms** directly behind the selling area and in the perimeters. The third way is through a **central storage** location. In general, central storage is best located next to receiving and marking areas and as close as possible to selling areas. The trend is to reduce inventory levels by more frequent delivery and better forecasting of sales. It has become easier to display a greater percentage of the store's stock, leaving as little in concealed areas as possible.

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

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

4.   **Customer Traffic Flow**

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

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

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

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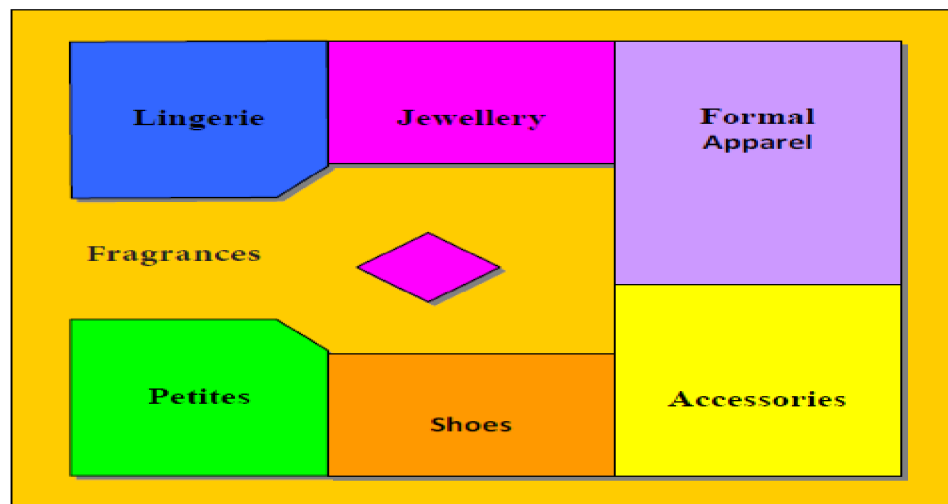
Grid Pattern Layout

The diagram below shows a grid pattern of layout 100

267
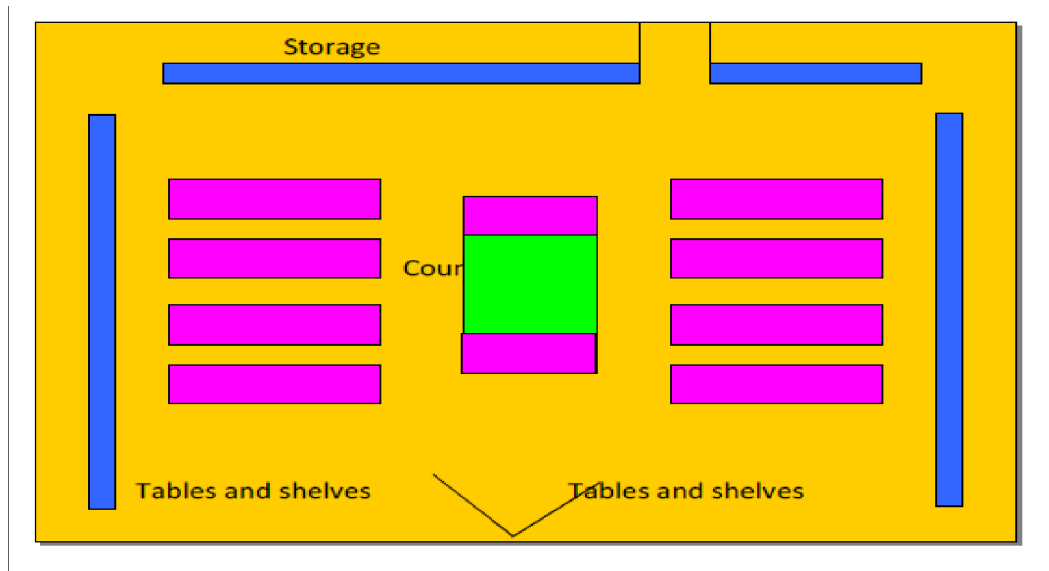
Boutique Layout

The following diagram shows the boutique layout

5. **Types of Goods**

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

Impulse Goods

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

Convenience Goods

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

Shopping Goods

They are those for which a customer is willing to search and compare. There may or may not be a brand preference. If a customer is willing to search and compare, there may be a brand preference. If customer is looking for a specific brand, such as a Sony

Trinitron TV, shopping may be for the best price or service. A customer will likely make a trip to different stores seeking just the right goods.

Speciality Goods

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

Impulse and convenience goods benefit by being located in high traffic areas where customers, as they pass by the displays, are likely to pick up an item for purchase. In many stores, the checkout counter will be crowded with impulse goods such as candies, batteries, and miscellaneous miscellaneous items. Shopping goods on the other hand, because of the preconceived need, may be situated in more remote areas of the store. In most of the grocery stores, the meat is located at the back. This encourages the customers to pass through other aisles and increases the possibility of a higher number of purchases. Speciality goods are unique in that they can create customer traffic. Often a store selling speciality goods can locate in a less expensive site. The type of the merchandise is the important consideration in a store layout. Think about how all four types of goods might influence a layout in a discount drug store. For a particular customer a prescription could be a speciality good, and the customer would travel through a maze to get to the pharmacy.

While going to the pharmacy many convenience goods such as health and beauty aids may be picked for purchase. While in the store, the customer could seek out the area where a shopping good like a home vaporizer was located and do some brand and price comparisons for the future purchase. In the check out area and unplanned purchase of film could be made. The key to using the type of good concept for layout is to understand how the store's target market shops for the goods that are going to be offered

a)   **Complementary Merchandise Placement**

The layout must also take into consideration the nature of complementary merchandise that is interrelated: A sale of an item prompts the sale of another item. For example, the sale of a shirt could logically lead to the sale of a tie, which in

turn could lead to the sale of a tiepin. Because of these additional sales possibilities, it is appropriate to plan the interior design so that related merchandise is in close proximity.

b)   Seasonal Departments

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

Interior Design Elements

1)   Fixtures

A major consideration in developing an appropriate store design involves the use of fixtures. They are used to display merchandise, to help sell it, to guard it, and to provide a storage space for it. They should be attractive and focus customer's attention and interest on the merchandise. Figure shows a design developed by The Store décor Company for a new Pets Mart store. Notice how a traditional fixture, a cage for holding animals, has been integrated into a total deign that directs the customer to the store area and displays the merchandise for sale. One way to bring the cost of fixtures down is standardization; customisation is expensive, and construction budgets today allow this luxury only where speciality departments can justify the cost. Some stores are trying to keep a lid on fixture costs with walls that do not reach the ceiling but instead begin two feet down. Besides being cheaper and faster to put up, they do not affect sprinklers, lighting, heating ventilation and air conditioning (HVAC), and other ceiling ducts.

Most stores are moving toward smaller and less dense fixtures than what they previously used, which is another way to control costs. However, even more significantly, the trend reflects the reduction in many stores' inventory levels. Glass cubes that once consisted of sixteen inch and eighteen-inch high bins may now be housed in twelve-inch bins. This way, although there are fewer items in each unit,

it still looks full. Another trend is a renewed demand for wood and glass, which in recent years were demand for wood and glass, which in recent years were over shadowed by the more affordable clear plastic.

2) Displays

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

There are several principle rules of display that help ensure their effectiveness:

a) They should achieve balance,

b) Provide a dominant point,

c) Create eye movement

d) Low gradation,

c) Just merchandise to proper height,

d) Group the merchandise in the display,

e) Generate sales appeal,

f) Keep merchandise in proper order, and

g) Display names of products and store name.

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

a) Balance

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

b)   Dominance

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

c)   Eye Movement

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

d)   Gradation

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

e)   Height of Merchandise

Merchandise that has the greatest effect should be placed at the eye level of the customer. Because viewers tend to look straight ahead, merchandise placed at eyes level is most likely to be seen.

f)   Grouping Merchandise

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

g)   Sales Appeal

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

h)   Keeping it Simple

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

3)   Colour

The psychological effect of colour continues to be important to retailers. Colour is also important in warehouse type stores because of the vast open area of the interior. Bold colours are frequently used to highlight merchandise sections or departments and to reduce attention to what is typically an open –girder ceiling.

Clearly, intelligent use of colour is important in store design. Since people are drawn to warm colours, yellow and red can help draw customers into the store through the entrance. Cool colours such as blues and greens tend to calm people and are useful in areas where customers need time to deliberate over the purchase decision.

4)   Lighting

Proper lighting is one of the most important considerations in retail design. At one point in time, the function of lighting was to provide customers with a means of finding their way through the store. Today, lighting has become a display medium. It is an integral part of the store's interior and exterior design. Lighting should

273

match the mood retailer is attempting to create with the rest of the store décor and should complement, rather than detract from, the merchandise.

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

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

6)   Flooring

Retailers are taking a sophisticated "return investment" approach to flooring decisions. Firms are willing to pay higher-up-front installation costs for materials that are more expensive if they see a return in greater durability and reduced maintenance expenses. Flooring choices are important because the coverings can be used to separate departments, muffle noise in high – traffic areas, and strengthen the store image. The range of choices for floor coverings is endless: Carpeting, wood, terrazzo, quarry tile, and vinyl composition all have applications in different settings.

7)   Shelving

The material used for shelving as well as its design must be compatible with the merchandising strategy and the over all image desired. Stainless steel shelving creates an entirely different effect than the painted wood cubes in the Country

Seat or the typical metal shaving seen in a general merchandise store, Glass shelving, framed in the woods, creates an element of elegance difficult to achieve otherwise. General shelving considerations and merchandise display are discussed in the next selection.

8)   Plano Grams and Shelf Layout Design

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

9)   Other Considerations

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

5.7   VISUAL MERCHANDISING

The art of increasing the sale of products by effectively and sensibly displaying them at the retail outlet is called as visual merchandising. Visual merchandising refers to the aesthetic display of the merchandise to attract the potential buyers, prompt them to buy and eventually increase the sales of the store. In simpler words, visual merchandising is the art of displaying the merchandise to influence the consumer's buying behaviour.

The store must offer a positive ambience to the customers for them to enjoy their shopping.

The location of the products in the store has an important role in motivating the consumers to buy them. Sensible display of the merchandise goes a long way in influencing the buying decision of the individual.

The end-user will never notice something which is not well organized: instead stacked or thrown in heaps.

Proper Space, lighting, placing of dummies, colour of the walls, type of furniture,music, fragrance of the store all help in increasing the sale of the products.

Lighting is one of the critical aspects of visual merchandising. Lighting increases the visibility of the merchandise kept in the store. The store should be adequately lit and well ventilated. Avoid harsh lighting as it blinds the customers who walk into the store.

The signage displaying the name of the store or other necessary information must be installed properly outside the store at a place easily viewable to the customers even from a distance.

The retailer must be extremely cautious about the colour of the paint he chooses for his store. The paint colour can actually set the mood of the customers. The wall colours must be well coordinated with the carpet, floor tiles or the furnitures kept at the store. Dark colours make the room feel small and congested as compared to light and subtle colours.

The store must always smell good. Foul smell irritates the consumers and he would walk out of the store in no time. Use room fresheners 'or aromatic sticks for a pleasant environment.

The merchandise must be properly placed in display racks or shelves according to size and gender. Put necessary labels (size labels) on the shelves as it help the customers to locate the products easily. Make sure the product do not falls off the shelves as it gives a messy look.

The dummies should be intelligently placed and must highlight the unique collections, latest trends and new arrivals in order to catch the attention of the individual. The dummies should not act as an obstacle and should never be kept at the entrance of the store.

Don't play blaring music at the store. It acts as a hindrance to effective communication and the retailer can never understand what the buyer actually intends to buy.

Select the theme of the store according to the season. Red should be the dominating colour during Christmas or Valentines Day as the colour symbolizes love, fun and frolic. A white theme would look out of place during the season of love.

Don't keep unnecessary furniture as it gives a cluttered look to the store.

Why Visual Merchandising ?

▪ Visual Merchandising helps the customers to easily find out what they are looking for.

▪ It helps the customers to know about the latest trends in fashion.

▪ The customer without any help can actually decide what he intends to buy.

▪ It increases the sales of the store and results in increased level of customer satisfaction.

▪ The customers can quickly decide what all they need and thus **visual merchandising makes shopping a pleasant experience.**

▪ Visual merchandising gives the store its unique image and makes it distinct from others

5.7.1   The Importance of Visual Merchandising to Brands

Visual merchandising is a retail strategy that maximizes the aesthetics of a product with the intent to increase sales. Visual merchandising can also play a role in the look, feel and culture of a brand. Done well, it can create awareness while simultaneously increasing brand loyalty. Most importantly, it can draw customers in and close the sale – all based on the aesthetic quality of your retail display.

Components

Success factors of visual merchandising include the store's appearance, signage, lighting, uniforms, menus, point of sale material, color, shapes, textures, packaging, ticketing, presentation and the "wow" factor each of these elements bring together in a retail setting When these elements come together to showcase a brand, it enriches the customer experience, leading to a positive shopping experience and increased sales.

277

Brand Experience

Customers must be able to experience your brand through the visual components that surround your product. For instance, an up-and-coming cosmetic brand can better showcase its product through colorful displays with bold signage and edgy models to convey a sense of youth. On the other hand, a conservative cosmetic brand can use pastels, script writing and soft imagery to appeal to a mature audience. These subtle strategies not only draw the demographic into the brand, but it also opens up the customer to the brand experience. This, in turn, fortifies brand loyalty and increases the chances of a customer repurchasing in the future.

Themes

Brands can better execute visual merchandising strategies by implementing themes into their displays. Themes tell a story and create customer buy-in. They generally accompany a new product launch. Most importantly, themes allow a brand to reinvent itself with new colors, layouts, fonts, design, pictures and photographs at the time of a new product launch. Theme ideas can range anywhere from coordinating colors to grouping products to individual motifs and anything in between. There aren't any rules when it comes to themes but it's a good idea to consider the store, season, new product, overall look and feel of the brand, and how the theme will tie into any current in-store promotion.

Tonality

Tonality refers to your brand's consistency throughout all marketing materials. It also can be referred to as your brand personality or voice. It means conveying the look, feel and completeness of your brand within all existing marketing elements. That means visual merchandising must be consistent across all platforms including in-store displays, your website and on third-party websites. This ensures customer brand loyalty and also ensures that brand is going to deliver. In turn, the emotional connection a customer has with your brand is strengthened.

5.7.2   Most Important Elements of Visual Merchandising

When people hear visual merchandising the typically get nervous and uneasy. They know its an important retail term, but not sure exactly what i is or how to do it well. It can

create uncertainty about where to start. If you're artistically challenged and financially deprived, creating visual displays can be especially difficult. But here are my five most important elements of visual merchandising. They are easy to implement and won't break the bank and, most importantly, they will increase your sales. Strong visual merchandising has a huge impact on customer experience in your store. Whether you're revamping your retail displays or creating new ones, use these five strategies to help you achieve more impactful and memorable visual merchandising. And put more money in your pocket this year.

1.   **Remember that color is king.**

Color is powerful, and it can make or break your visual displays. A retailer might create an erratic display, but if the colors coordinate well, the display can still be a success. Consider using contrasting colors, like black and white, and monochromatic colors—both create intriguing, eye-catching displays.

Too many times we lose sight of the power of color and its ability to attract the eye. Consider your home. You probably have a solid grey or brown couch, but there is a "pop" of color from the throw pillows you place on the edges.

This is the same principle. Remember: wherever the eyes go, the feet will follow. So use color to catch the eyes of your customers and draw them to your displays.

2.   **Create a focal point.**

Where does the viewer's eye focus on your display? Do their eyes move toward a specific location on the display?

Or are they confused about where to look? Create a hotspot—or focal point. Why? Because hotspots can increase sales by 229 percent.

Examine your display from the customer's point of view: the top, the floor, both sides. Often the focal point is positioned too high for the customer to see. Always check your displays to ensure customers can easily view the hotspots and merchandise. Remember, the hotspot is the product, not a visual element you use to add to the story. By this I mean, if you put sand and seashells on the table as part of your sandal collection, make sure the sandals are the focal point and not the sand.

3. **Tell a story.**

What's in it for customers? Tell them. Use powerful, sales-enabling signage to display the advantages of buying the product. Present three bullet points that tell customers why they need the product or how their life will become easier because of the product. Remember, you're not writing an essay but rather a headline, powerful bullet points, and possibly a price proposition. By telling a story, you help the customer better understand the product and enable the buying decision.

A display may lack a worded sign or an educational sign. That's perfectly fine; as long as there's still a story, the sign can speak for itself.

For example, lifestyle graphics are very popular in telling the story. No words, but the image speaks volumes.

4. **Expose customers to the maximum amount of merchandise.**

A well-designed, impactful display exposes the customer to as much merchandise as possible while avoiding a sloppy mess. The more products customers see, the more they buy.

Consider using a circular store layout, which many retailers use. It's powerful because it exposes customers to more merchandise than traditional aisles. Where your store *does* use aisles, place a display in dead center so customers are forced to stop and look at the products. Have as many displays as possible, and present as much merchandise as possible. But keep displays clean and sharp, and ensure aisles are spacious and barrier-free to prevent deterring customers from products.

In my stores, I used dining tables from World Market to create a visual impact. Displaying our shoes on these tables was kitschy and bold. It caught a customer's eye for sure. And we got many compliments on the display tables since the tables were unique and a story in themselves as opposed to the traditional display pieces stores use.

5.   Use empty space wisely.

There's a space in all retail stores that is the most underutilized. It's the section between the displayed merchandise and the ceiling. If this space in your store is empty, you need to start using it.

You can use this space for many different things, like signage providing information about products or brands. You could display customer testimonials with the customer's name and picture. You could profile a designer or supplier.

You could also display lifestyle graphics that help customers make associations with your products. For example, a furniture store could display an image of a family cozied up on a couch, emitting those warm, fuzzy feelings that put shoppers in a good mood. A jewelry store could display a woman at a fine dining restaurant wearing a bracelet, creating an association between the store's jewelry and a luxurious lifestyle. Visual merchandising is multifaceted, and retailers can choose from hundreds of ideas when designing displays. But these tips return the biggest bang for your buck. Use them to make your store as memorable as possible.

5.8   ROLE OF CUSTOMER SERVICE IN RETAIL

The lifeblood of retail businesses has always been sales. But it is customer service that turns those casual purchasers into loyal customers. Things like well-trained salespeople, responsive communication, and effective use of technology, showing empathy for customer needs and providing personalized experiences are just a few retail customer service examples your company can do to ensure positive outcomes. People go back to retailers because they receive a personalized experience. Your products may have been what got them in the door the first time but keeping them happy and coming back with repeat business is all about providing a positive and consistent customer-centric experience. In a world of retail commoditization, you can make customer service your competitive advantage.

Retail customer service is about providing seamless experiences that tell the customer that you not only care about making the sale, you care about them being satisfied with their purchase. Customers value their time – if they need to seek support either before or after the sale, they want it to be easy, efficient, and without a lot of hassle.

There is an innate joy for many people when it comes to shopping. Whether it's buying a gift for a loved one or treating themselves to something special, the joy of shopping is the sum total of all parts – the products and the experience. While it is important to make sure you've got enough stock and a variety of products, the experience you deliver is a much bigger factor in deciding whether a customer will return to your store or not. Here are two reasons why the retail customer service experience is so critical in today's competitive landscape:

Converting Casual Purchasers into Loyal Customers: The customer experience doesn't end when the sale is made, and the customer leaves the store. A retailer's customer service strategy and returns policy can also be a differentiator in the eyes of the customer. 78% of consumers have bailed on a transaction or not made an intended purchase because of poor service experience.

If customers can be confident that you will be there to give them support after the sale and promptly address any problems or concerns without a lot of hassle, they will be more likely to give you their businesses and may even be willing to pay a little bit more for your products. According to Harris Interactive, 9 out of 10 U.S. consumers say they would pay more to ensure a superior customer experience.

Shoppers use feedback, reviews from peers & broadcast bad experiences online: Modern consumers are highly engaged in rating, reading and sharing reviews of products and services online. They also rely heavily on opinions from their social group in developing brand perceptions and making purchasing decisions. If your retail customer service is not up to the mark both online and at your physical stores, it won't take long for customers to lose patience.

The effect of a bad experience can become amplified when word of it gets out on social media. Face book and Twitter are the go-to platforms for customers to vent their frustrations over poor experiences with a brand and this can be extremely damaging to your reputation. In fact, once there is a negative word of mouth in the market, damage control will be even harder to fix.

Easy Access to Information about Products and Processes: The customer service experience starts before the customer enters your store (whether that be for a new purchase

or for help with a previous purchase). Most customers will do research online – read reviews, check your store opening time and maybe your refund policy. You can take advantage of this by giving this information ahead of time. Set up a FAQ section on your website, or provide it in the form of support articles. Improving the quality and value of this information will make the in-person interaction when the customer visits your store more smoothly.

Effortless experience and easy-to-access service:

Providing a good service experience is only part of the story. You also have to make it easy for customers to find the information they are looking for. This is possible either by guiding them to the different channels on which they could reach you, or offering an exhaustive self-service portal. Whether they are reaching out on email, chat, social Media or phone having an omni channel presence is key to making the experience as effortless as possible for customers.

Effective Communications on the Status of Customer Questions and Requests: Not every question or a request from a customer can be addressed immediately. Your customer service teams solve issues with varying degrees of complexity every day. However, every customer needs to be well informed of how long the issue is going to take to fix while also providing a reason for the same. Customers are more empathetic to longer wait times as long as they are kept in the loop and given timely updates. On the other hand, keeping them in the dark about how long they have to wait won't be tolerated and can effectively make a bad situation, worse. So the important thing is to ensure your communication is effective. Give customers the right information about the problem, how long it will take to resolve it, and provide regular status updates.

Efficient Returns Processes: Returns are the most common request for post-sale support. It also happens to be a situation where most companies lose happy customers. There are some companies that have turned it into a differentiator. Their returns policies and easy-to-use tools/processes are creating a competitive advantage and drawing more customers in the door. One example of this is by a US retail chain called Trader Joe's. They have an 'unlimited days' return policy on many of their items, where items purchased at their store can be returned no matter when they were purchased. They also don't ask

for a receipt which avoids the problem of trying to find that small piece of paper you most likely threw away already. This not only encourages more consumers to choose their store, but they also differentiate themselves from other retailers. Small and medium businesses, without the massive customer service budgets, need to be leaner, smarter and even more personalized. They need the leverage that technology provides to accomplish the same results with fewer resources.

5.9   RETAIL CUSTOMER SERVICE MODEL

Through a combination of desk research and Customer Champions' industry experience a retail specific customer service model has been developed. This was then widely tested with retailers, who agreed it provided a very strong framework from which to deliver an excellent customer service experience.

In outline, the model, focused on traditional 'bricks & mortar' retailing, breaks down into three key layers:

Leadership: Many organisations reflect the drive of an individual and their personal focus on the importance of customer service. If this individual is senior within the retail business, it will greatly impact the culture and the emphasis placed on the customer experience. In small companies this will tend to be driven by the owner.

Enablers: The way that the retailer's customer service vision is translated through policies and processes onto the shop floor.

Customer Journey: The customer journey is described through a variety of touch-points which will vary from business to business. Starting with background research through to complaints handling, it provides a comprehensive checklist for any retailer to use and benchmark its customer service performance. Recognising the increasing trend for customers to have relationships with retailers through multiple channels, the Customer Journey part of the model was enhanced by the development of a supplementary online version.

Here are essential customer service tips that help you deliver an exceptional customer service experience:

1. **Have a message of hope:** Your salespeople should be able to not just inform, but to also inspire, educate, and instill confidence in your customers so they can complete projects, find the perfect gift, or just treat themselves.

Those who don't deliver a hopeful message in their retail environment deliver bland and blah experiences. Their stores share a sameness filled with boring products, promotional pricing, and disengaged employees.

2. **Call people to take risks:** When a shopper purchases an expensive piece of jewelry, a fashion-forward outfit, or premium merchandise, it naturally pushes at their comfort level. Salespeople who understand this help shoppers move past their comfort levels focused on budget or brand to see how the premium product is a better fit for their lifestyle.

Without encouraging shoppers to try on a new look or to buy a more expensive item, salespeople encourage shoppers to look for safe bets. This is at the heart of why so many retailers are stuck; their employees, themselves, make safe bets so the newest, the premium, or the luxury items are seen as wasteful or extravagant.

3. **Focus on relationships:** Retailers have to make space for relationships to grow. That means you must have enough coverage for employees to be able to spend a little extra time with someone and enough retail sales training that they truly understand how to approach and engage - truly engage - a stranger. That's what creates excellent customer service.

Without a clear focus on relationships, it is a duck-and-cover environment where employees are just trying to keep the lines short. There is no time for exceptional because the employees are only thinking of keeping up - of making their own day, and not someone else's.

4. **Celebrate new babies**. When new shoppers venture into your store, they must find an exceptional experience. It's easy to love your returning customers, but you need to love those first-time visitors as much - or even more - than your regulars. This tips the customary thinking on its head. that you must treasure only repeat customers. Your employees make strangers feel welcome with their language and their attitude and by offering such things as a store tour on that first visit.

When you focus on established customers over new babies, you can end up treating those new babies as disposable which thwarts any efforts at implementing a customer service strategy, much less getting them to return again and again.

5.   Plan for the major holidays. When you plan ahead for all the ways you could touch a customer during a holiday season, when decorations, emails, schedules and social media posts are thought out in advance, your customer experience during those holidays remains high. Holidays are a time of celebration long before the actual holiday gets there. Making sure you are prepared ahead of time will attract customers to your store and will ensure they linger once they are inside.

5.10   RELATIONSHIP MANAGEMENT SYSTEM IN RETAIL

A sound and well-rounded customer relationship management system is an important element in maintaining your retail business. Not only is customer relationship management in retail a business strategy, but it is also a powerful tool to connect retailers with their consumers. Developing this bond is essential in driving your business to the next levels of success.

Today's retail marketing landscape is changing and retail industry organisations struggle to achieve or maintain good marketing communications with existing consumers as well as prospective customers.

You need to identify consumer-related issues, better understand your customers and meet their needs with the company's products and services. By making accurate estimates regarding product or service demands in a given consumer market, one can formulate support and development strategies accordingly.

Relationship Management Is More than Just Customer Relationships

Contrary to misconception, CRM for the retail industry is more than just building good customer relationships. It should:

- Reach shoppers at the right time, in the right channel with a personalised offer. Ensure the best use of communications channels, such as email, SMS, and social.

- Support a seamless omnichannel retail strategy.

- Measure the value of different market segments and their lifetime value to the business.

- Manage loyalty programs that drive long-term retention and share of wallet.

- Support customers after they purchase products and gather feedback for continual improvement.

- Track the effectiveness of marketing campaigns to increase foot traffic and sales.

- Analyse performance to aid planning.

Integrating Relationship Management System in the Retail

A retailer's CRM system rarely stands alone. That's because today's retailer needs a single point of truth. This means all critical data, in one place. And retailers use many systems, including accounting or finance, POS, SMS systems, websites and more. The functions of these systems are varied: product supply, operations, databases, staffing, customer feedback just a few.

The way to achieve this single view is integration. An integrated CRM system (CRM Integration) means that managers and supervisors of retail businesses can set goals, implement processes, and measures and achieve them in a more efficient manner. A sound customer relationship management system that integrates all these things will assist to run a retail business more efficiently. A good CRM system can deliver a competitive edge over your retail rivals.

5.11   ROLE OF RELATIONSHIP MANAGEMENT IN RETAIL

A retailer's relationship with their customer is key to repeat store visits, brand loyalty and ultimately sales conversions.

But how do you go about creating a winning formula? How can you engage consumers in today's multi-channel environment, be it through a website, social media channels or in store, to keep them coming back?

Relationship Management in retail isn't a new concept, but it's one that could help retailers win the battle for sales in these competitive times. Tesco introduced their loyalty Clubcard in 1995, collecting data on shoppers and using the information to personalise discounts

and rewards. Fast forward 21 years and the majority of retailers offer some kind of reward or loyalty program with Marks & Spencer being the latest to launch their Sparks card, a new 'Members Club' which includes bespoke offers and priority access to sales for those that sign up.

It's no longer enough to have a bricks and mortar store and hope that people will visit and spend their hard earned cash on impulse buys. Customers need to be enticed in to the store, given a reason to visit and a reason to stay and shop. Retailers need to create a welcoming environment as well as an experience for their customers.

Having an accurate retail CRM database that is focused on the customer is an integral part of the jigsaw for any retailer. Consumers are savvy, demanding and often in a hurry, so a successful retail CRM system will pay dividends when it comes to building loyal customers. Retailers need to think smarter to engage shoppers and create loyalty towards their brand, and to do this they need to know as much as possible about them. Birthdays? Send a voucher offering a discount once a year. Not seen a customer for a while? Send an email with the latest news and products available. Regular customers? Invite them to an exclusive event.

A good retail CRM system can help build loyalty, creating brand ambassadors who will happily spread the word about their positive customer experience. Get it wrong and they'll be even more vocal about a bad customer experience.

There are several ways to collect information to build a successful CRM database. Many retailers ask for an email address when you purchase in-store, others offer the latest news and discounts by signing up to their newsletter online or by developing customer chat rooms and communities. Whatever the means of data capture, if the right questions are asked, retail marketing campaigns can be targeted to the individual, not just personalised but also targeted to the right gender, location and even specific products of interest.

Using a database to personalise products, discounts and events for consumers is crucial to creating repeat customers who are keen to engage with a brand and shout about the benefits of signing up.

And it's not just stores that offer personal, targeted marketing and customer relationship management. The leisure industry offers a host of benefits when you stay loyal to their

brand, think Avios miles, Hilton Honours rewards, credit card points and even Starbucks rewards cards – they all want repeat customers who they know better, and they're willing to go the extra mile to get them. To find out more about the importance of customer relationship management, as well as improving customer relations and footfall, please visit our queue management and customer experience pages.

5.12   SUMMARY

Retailers want to locate their stores in the best place possible. The best place possible will vary from retailer to retailer depending on the industry type, type of product, competition, and other market factors. A retail store has to be located where the market opportunities are at opti-mal levels. There are basic guidelines that most retailers examine before choosing a new location. First, the retailer must select a country or region and then define the boundaries of the trade area and evaluate its popula-tion characteristics against the retailers target market. The buying power of the area must be considered along with its market and sales potential.

The size, location, and type of competition must also be taken into account. The local legal and political environment must be examined along with the leasing costs and occupancy rates. The actual physical features of the location – such as available space, traffic and access to the site, and surrounding buildings – play a role in the selection process. Retailers possess many tools to help in the site selection decision. Reilly's law and Huff's model can aid in defining the trade area. Market segmentation and demographic segmentation provides clues to population characteristics. The buying power index and effective buying income suggest strength of the economic base while the index of retail saturation offers a benchmark for market comparison.

Changes in consumer lifestyle will require new strategies for selecting retailing locations, such as the increasing use of convenience-oriented sites, the integration of food and non-food retailing, and the placement of retail merchandising in amusement parks. There a numerous kind of retail stores to choose from as well. Most potential sites fall in to one of these categories: business districts, shopping centres, and freestanding locations. There are specific advantages and disadvantages for each type of location. The bottom

line in retail site selection should be to choose a location that will fit both today's and tomorrow's needs. The layout and design of a retail store communicate a significant amount of information about the retailer to the consumer. The architectural character of the store, building a new location, renovating existing facilities, exterior design, interior design the modern self-layout and the image of the store are the key issues in designing a layout for a store.

5.13   GLOSSARY

•   **Buying power index** (BPI): A weighted measure, combining buying income,   retail sales and population size into an overall indicator of sales potential of a geographical area.

•   **Cross- shopping**: customers indulge in shopping in different formats in a year and also go in different shops in one shopping spree as it increases their level of comfort.

•   **Index of retail saturation** (IRS): Measure of competition and total level of retail sales in a particular area.

•   **Huff's model**: This theory of gravitation states that the customer trades-off the travel time from his home to the outlet with the quantity of assortment available there.

•   **Reilly's law**: This theory of gravitation states that more people are drawn towards larger cities as greater assortment is available there.

5.14   SELF ASSESSMENT QUESTIONS

1.   Describe what you believe to be significant trends in selecting retail locations.

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2.   What do you mean by cross- shopping ?

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3.   What do you mean by out shopping ?

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4.   Write brief notes of country and regional analysis.

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5.   Explain the importance of drive-in locations.

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5.15   LESSON END EXERCISE

1.   Explain the various types of shopping centers.

2.   Explain the huff's model.

3.   Explain the Reilly's law.

4.   Write short notes on the following

     a.   Geo demographics

     b.   Retail market potential

     c.   Retail sales potential

5.   Explain the various methods of store design.

6.	Describe how you would design the exterior of a store.

7.	Explain the various influences on interior design and layout.

## 5.16	SUGGESTED READINGS

1.	Lucas, Robert Bush & Larry Gresham: RETAILING *(Hononghton Miffin, AIPD, India).*

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4.	D r . R a m a s a m y , S .Nama Kumari , Marketing Management.

5.	Dr. C.B. Memoria and R.L. Joshi, Principles and Practice of Marketing in India

6.	James Reandom, RETAIL MANAGEMENT

7.	Lucas and Rolest Bersh, RETAILING

8.	Ron Hasty and James Reardon, RETAIL MANAGEMENT *Mc Graw Hill publication, (International edition)*