

## Unit I

### Retailing – Strategy and Environment

#### Introduction:

Retail comes from the Old French word *tailleur*, which means “to cut off, clip, pare, divide” in terms of tailoring (1365) and prefix with *re* and the verb *tailor* meaning “to cut again”.

The term “retailer” is also applied where a service provider services the needs of a large number of individuals, such as a public. Shops may be in residential streets or in a shopping mall.

Retail is the sale of goods and services from individuals or businesses to the end-user called the customer. Retailers are the integral part of a system called the supply chain which carries goods from the producer to the target market.

A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesale, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations like stores or markets, door-to-door or by delivery.

Shopping generally refers to the act of buying products by a consumer. Sometimes this is done to obtain necessities such as food, clothing and other daily necessities; sometimes it is done as a recreational/ social activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing and does not always result in a purchase.

#### Importance of Retail Management:

##### ✓ **Customer Satisfaction**

A satisfied customer is an asset for any retailer. It determines how happy customers are with a company’s products, services, and capabilities.

Retail management saves time and ensures that customers can easily find their products in-store. A smooth process place avoids chaos and keeps employees and customers satisfied.

##### ✓ **Customer Retention**

It is the company’s ability to gain customers’ trust and prevents switching to another company. It enables you to form lasting relationships with customers.

##### ✓ **Hassle-Free Shopping**

Good management helps customers easily find the product of their choice in the store. Each and every product is categorized and arranged according to its price, quantity, brand, etc., so the customers can easily pick up the product of their need and choice in no time.

### ✓ **Prevents Unnecessary Chaos And Shoplifting Activities**

Retail Management eradicates a lot of unnecessary mess, chaos and crowd from the store. It carries a smooth process, where a customer enters the store, picks up the products of their choice, pays the bill, leaves the store with a smile and decides to visit again.

### ✓ **Proper Accounting**

Proper retail management helps retailers maintain a proper database where every product is tracked and allows them to know about the product, whether it is in or out of stock.

It maintains the database of from where the product was brought into the store for sale to all that was sold is mentioned. It helps in maintaining daily calculations and accounting less complicated and accurate.

### ✓ **Well-Organized Store and Inventory Management**

Good management helps manage the store in a very effective and efficient manner. Information about the product is displayed, which helps the customer know about the product.

Well-organized store does not let your product go out of stock. The customer should not be told that the particular product is out of stock at any point in time.

### ✓ **Brand Reputation**

It comes with how people perceive your brand, how they interact with it, and what their experiences are using the brand's products or services. The stronger the reputation, the more people trust and advocate for the brand.

**Need for Retail Management:** Points you should take care of for the need for retail management:-

- The retailer should maintain a record of all the products coming into the store.
- The products must be well organized on the assigned shelves according to size, colour, gender, patterns, etc., which helps customers know about the product's availability.
- Store layout should be planned well.
- Necessary labels must be displayed on the shelves for the customers to showcase the merchandise on their own.
- Don't let the customers wait for long.
- The sales representative should assist the customers well in their shopping and greet them with a gentle smile.
- The retailer must ensure enough stock is available at the store so customers won't be disappointed.
- Create an attractive display and remove unsold merchandise from the shelves.

**General Service of Retail Management:** The general services which a retailer provides are:

- 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.
- 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.
- He offers a large assortment of merchandise, of suitable size, colour, design, style and seasonal items-ranging from domestic utensils, household requisites to specialty goods.
- 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.
- He also assumes risks by guaranteeing the goods he sells to the consumer.
- He also offers free delivery of goods, credit on open accounts, free alteration, liberal exchange facilities, and instructions in the use of goods, revolving credit plans, and long term installment programs.
- He helps the producers in distributing their products by using advertisement display and personal selling.

### **Customer Service: A Key to Retail Success**

The customer in the store does not buy a product alone. Rather he is gaining experience in buying it, where customer services make a difference. The Customer service is the “sum of acts and elements that allow consumers to receive what they need or desire from your retail establishment.”

It is important for a sales associate to greet the customer and make himself available to help the customer find whatever he needs. When a customer enters the store, it is important that the sales associate does everything in his power to make the customer feel welcomed, important, and make sure he leaves the store satisfied.

Giving the customer full, undivided attention and helping him find what he is looking for will contribute to the customer's satisfaction.

## Challenges to Retailing

- Regulatory barriers
- Restrictions on real estate purchases, especially as imposed by local governments and against “big-box” chain retailers
- Restrictions imposed on scope of operations (e.g., multi-brand vs. single brand retailing)
- Unfavorable taxation structures, especially those designed to penalize or keep out “big box” retailers;
- Absence of developed supply chain and integrated IT management system;
- High competitiveness among existing market participants and resulting low profit margins, caused in part by
- Lack of properly educated and/or trained work force, often including management, caused in part by
- Lack of educational infrastructure enabling prospective market entrants to respond to the above challenges

## Types of Store

### Major Types of Retail Stores

<b>In-Store Retailing</b>	<b>Non- Store Retailing</b>	<b>Franchising</b>
<ul style="list-style-type: none"><li>• Department Stores</li><li>• Super Markets</li><li>• Discount Houses</li><li>• Chain Stores or Multiple Shops</li></ul>	<ul style="list-style-type: none"><li>• Direct Selling</li><li>• Telemarketing</li><li>• Online Retailing</li><li>• Automatic vending</li><li>• Direct Marketing.</li></ul>	

## In-Store Retailing

### 1. Department Stores

Department store is a retailing business unit that handles a wide variety of shopping and specialty goods and is organized into separate departments for purposes of sales promotion, accounting control and store operation.

#### Classification of Department Stores

a) On the basis of ownership these are:

- **Independent stores** are owned by a financial interest which does not own other similar stores.
- **Ownership group stores** are those stores which were formerly dependent but now have been combined.
- **Chain department stores** are those stores which are centrally owned and operated.

b) **On the basis of income groups:** These stores cater to the middle and high income groups. They usually handle good quality merchandise and offer maximum service to the customers.

c) **Leased department stores:** it appears to most customers that all departments in a department store are owned and operated by the store. The operations of certain departments are sometimes turned over to leases and such departments are called leased departments.

#### Features of Department Stores:

- These are integrated stores performing operations in addition to other retail stores such as wholesaling.
- Goods are divided into different classes with different locations and management within the store itself.
- These stores are distinguished by the nature of goods they sell and not by the varieties they keep for example, drug and variety stores carry a wide variety of goods.
- The store is a horizontally integrated institution under one roof a range of merchandise offerings comparable to the combined offerings of many stores specializing in single or fewer merchandise lines

### **Merits of Department Stores**

- Large department stores buy in large quantities and receive special concession or discount in their purchases.
- Department stores are in a position to pay cash on all or most of their purchases and this gives them an additional advantage of picking up quality goods at cheaper rates.
- Customers can do all their purchases under one roof and it appeals to people of all walks of life.
- The organization is too large to provide expert supervision of various departments for the adoption of a liberal credit and delivery service for large-scale advertising.
- When customers enter the store to deal with one department they are frequently induced by the advertisement which the display of goods offers to make purchases in other departments as well.

### **Limitations of Department Stores**

- The cost of doing business is very high due to heavy overhead expenses.
- There is lack of personal touch and personal supervision which is to be found in single line.
- When hired diligence is substituted for the diligence of ownership, loss and leaks are likely to occur.
- Many customers abuse the liberal services extended and take advantage of the policy of the 'customers is always right'.

## **2. Super Markets**

Kotler defines supermarket as 'a departmentalized retail establishment having four basic department's viz. self-service grocery, meat, produce and dairy plus other household departments, and doing a maximum business. It may be entirely owner operated or have some of the departments leased on a concession basis.

### **Features of Super Markets**

- They are usually located in or near primary or secondary shopping areas but always in a place where parking facilities are available.
- They use mass displays of merchandise.
- They normally operate as cash and carry store.
- They operate largely on a self-service basis with a minimum number of customer services.

## **Advantages of Supermarkets**

- Super markets have the advantage of convenient shopping, permitting the buyer to purchase all his requirements at one place.
- Super markets also stock a wide variety of items.
- Shopping time is considerably reduced.

## **Limitations of Supermarkets**

- The large and extensive area required for a super market is not available cheaply in important places.
- Customer services are practically absent.
- The super market is the exorbitantly high administrative expenses.

### **3. Discount Houses**

- Discount stores tend to offer a wide array of products and services, but they compete mainly on price offers extensive assortment of merchandise at affordable and cut-rate prices
- These are large stores, freely open to the public and advertising widely. They are self-service and general merchandising stores.
- They carry a wide assortment of products of well known brands, appliances, and house wares, home furnishings, sporting goods, clothing, toy and automotive services. They complete on low price basis and operate on a relatively low mark-up and a minimum number of customer services.

### **4. Chain Stores or Multiple Shops**

In Europe, this system is called as Multiple Shops and the American call it as “Chain Stores”. **Chain stores or multiple stores** are retail networks owned and operated by manufacturers or intermediaries. These various stores typically sell standardized and branded consumer goods with an elevated turnover of sales.

#### **Features of Chain Stores:**

- One or more units may constitute a chain,
- They are centrally owned with some degree of centralized control of operation.
- They are horizontally ‘integrated’ that is, they operate multiple stores.
- With addition of each new store, the system extends the reach to another group of customers.

## **Advantages of Chain Stores**

**Economies of scale:** Since central procurement has been used, the multiple-shop organization benefits from economies of scale.

**Elimination of Middlemen:** The multiple-shop organization can eliminate unnecessary middlemen in the sale of goods and services by selling directly to consumers.

**Transfer of Goods:** Goods that are not in demand in one location may be transferred to another location where they are in demand. This reduces the possibility of dead stock in these stores.

**Low Cost:** Due to centralized purchasing, elimination of middlemen, centralized sales promotion, and increased sales, multiple shops have lower business costs.

## **Disadvantages of Chain/Multiple Stores**

**Lack of Personal Touch:** A lack of initiative in employees can lead to indifference and a lack of personal touch.

**Difficult to Change Demand:** If demand for the merchandise handled by multiple shops changes quickly, management may be forced to incur huge losses due to large stocks remaining unsold at the central depot.

**No Credit Facility:** Credit facility is not provided by chain / multiple stores as they deal on cash basis because of this it discourages certain class of customers

**Huge Capital Requirements:** Huge capital is required in the establishment of Chain stores. So, chain stores may be run only by a company, which has considerable financial resources.

## *Other Types of Stores*

**Warehouse stores** - warehouses that offer low-cost, often high quantity goods piled on pallets or steel shelves; warehouse clubs charge a membership fee;

**Variety stores** - these offer extremely low-cost goods, with limited selection

**Demographic Stores** - retailers that aim at one particular segment (e.g., high-end retailers focusing on wealthy individuals)

**General store** - a rural store that supplies the main needs for the local community;

**Hypermarkets** - provides variety and huge volumes of exclusive merchandise at low margins. The operating cost is comparatively less than other retail formats.

**Malls** - has a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof.



## **Non-Store Retailing**

Retailing activities resulting in transactions that occur away from a physical store are called non-store retailing

### **1. Direct Selling:**

Direct selling is defined as personal contact between a sales person and a consumer away from a retail store. This type of retailing has also been called in home selling.

The two kinds of direct selling are: - Door to Door and Party Plan.

#### **Advantages of Direct Selling**

- For the seller, direct selling offers the boldest method of trying to persuade ultimate consumers to make a purchase.
- The seller takes the product to the shopper's home or work place and demonstrates them for the consumer.

#### **Limitations of Direct Selling**

- Sales commissions run as high as 40 to 50% of the retail price; of course, they are paid only when a sale is made.
- Recruiting sales people - most of whom are part timers are difficult tasks,
- Some sales representatives use high pressure tactics or are fraudulent.

### **2. Telemarketing**

Also known as telephone selling, telemarketing refers to a sales person initiating contact with a shopper and closing a sale over the telephone. Telemarketing many entail cold canvassing from the phone directory.

Telemarketing is not hassle free. Often encountering hostile people on the other end of the line and experiencing many more rejections than closed sales, few telephone sales representatives last very long in the job.

Costs have been reduced by computers that automatically dial telephone number, even deliver a taped message and record information the buyer gives to complete the sale.

### **3. Online Retailing**

When a firm uses its website to offer products for sale and then individuals or organizations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing). Many electronic transactions involve two businesses which focus on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer. Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, Pets Mart and CD Now.com.

They are unprofitable or barely profitable. Substantial costs in establishing an online operation, aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts.

### **4. Automatic Vending**

Vending Machine is an automated piece of equipment wherein customers can drop the money in the machine and acquire the products. The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. The appeal of automatic vending is convenient purchase. Products sold by automatic vending are usually well-known pre-sold brands with a high rate of turnover.

Vending equipment is found almost everywhere, particularly in schools, work places and public facilities. Automatic vending has high operating costs because of the need to replenish inventories frequently. The machines also require maintenance and repairs.

### **5. Direct Marketing**

In the context of retailing, it has been defined as; direct marketing as using print or broadcast advertising to contact consumers who in turn, buy products without visiting a retail store.

Direct marketing provides shopping convenience. In addition, direct marketers enjoy comparatively low operating expenses because they do not have the overhead of physical stores.

The forms of direct marketing include:

- **Direct mail** - in which firms mail letters, brochures and even product samples to consumers and ask them to purchase by mail or telephone
- **Catalog retailing** - in which companies mail catalogs to consumers or make them available at retail stores
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## **Franchising**

A franchising operation is a legal contractual relationship between a franchiser (the company offering the franchise) and the franchisee (the individual who will own the business). The terms and conditions of the contract vary widely but usually the franchiser offers to maintain a continuing interest in the business of the franchisee in such areas as the site selection, location, management, training, financing, marketing, record-keeping and promotion. He also offers the use of a trade name; store motif standardized operating procedure and a prescribed territory. In return the franchisee agrees to operate under conditions set forth by the franchiser.

### **The franchisee should also:**

- ✓ Make reference check from the financial institutions.
- ✓ Make inquiries about the product, its quality, appeal, exclusiveness, competitiveness and effectiveness in bringing in repeat customers.
- ✓ Have enough capital to buy the franchise,
- ✓ Be capable of taking supervision work.
- ✓ Consult the professionals and seek their guidance in legal matters,
- ✓ Take risks and invest sufficient time

## **Meaning and Importance of Retail Strategy:**

Retail strategy is a marketing plan that details how a business intends to offer its products or services to consumers and influence their purchases. To build a competitive advantage that can be sustained, retailers need to pay special attention to aspects like price, location, merchandise, service and communications. Operations, purchasing/ logistics, market research, financing and technology, which determine the strategic positioning of the firm are also equally important.

### **Function of a Strategy: A successful strategy should satisfy three requirements.**

- ✓ First, a strategy must help to achieve coordination among various functional areas to the organization.
- ✓ Second, strategy must clearly define how resources are to be allocated. At any level of the organization, resources are limited. Strategy entails allocating resources to achieve the goals set within the time frame.
- ✓ Third strategy must show how it can lead to a superior market position. A good strategy takes cognizance of existing and potential competitors and their strengths and weaknesses.

**Retailers Classified by Marketing Strategies:** Three elements of their marketing mixes:

- ✓ Breadth and Depth of Product assortment
- ✓ Price Level
- ✓ Amount of customer services

<b>Type of Store</b>	<b>Breadth and Depth of Assortment</b>	<b>Price Level</b>	<b>Amount of Customer Services</b>
Department store	Very broad, deep	Avoids price competition	Wide array
Discount store	Broad, Shallow	Emphasises low prices	Relatively few
Limited-line store	Narrow, deep	Traditional type avoid price competition	Vary by type
Specialty store	Very narrow, deep	Avoids price competition	Standard
Off-price retailer	Narrow, deep	Emphasises on low prices	Few
Super Market	Broad, deep	Low prices	Few
Convenience Store	Narrow	High prices	Few
Warehouse Club	Very broad	Low prices	Few

## Competitive Positions of Large and Small Retailers

Selected bases for Evaluation	Who has the advantage
Division of labour and specialisation of management	Large-scale retailers-their biggest advantage
Flexibility of operations - Product selection, store design, services offered.	Small retailers - their biggest advantage.
Buying power	Large retailers buy in bigger quantities and thus get lower wholesale prices.
Access to desirable merchandise	Large retailers promise suppliers access to large number of customers.
Development and promotion of retailer's own brand.	Large retailers.
Efficient use of advertising, especially in city-wide area.	Large retailers' markets match better with media circulation.
Ability to provide top quality personal service.	Small retailers, if owners pay personal attention to customers.
Opportunity to experiment with new products and selling methods.	Large retailers can better afford the risks.
Financial strength	Large retailers have resources to gain some of the merits noted above.
Public image	Small retailers enjoy public support and sympathy.

### Competitive Advantage with Special Reference to:

**Physical Facilities:** Another competitive advantage of retailers will be how they create physical facilities which represent the distribution element of a retailer's marketing mix. Some firms engage in non-store retailing by selling on hire or through catalogs or door to door.

**Size:** This factor means the total square footage of the physical store. A firm may be quite large with respect to total sales, but each of its outlets may be only several thousand square feet in size.

**Design:** this factor refers to a stores appearance, both interior and exterior over its competitor.

**Layout:** The amount of space allocated to various product lines, specific locations of products and a floor plan of display tables and racks comprise the store's layout.

## Assessing Competitors Current Strategies:

### ➤ Marketing Strategy:

A marketing strategy can be thought of three major components:

- Target selection of customers,
- Core strategy (i.e. positioning and differential advantage)
- Implementation (i.e. supporting marketing mix)

#### **Target selection of customers,**

The first major component is the description of the market segment(s) to which competing brands are being marketed. Few brands are truly mass marketed; the key is to determine which group each competitor has targeted.

#### **Core strategy**

The second strategy component is what is called the core strategy. This is the basis on which the rival is competing, that is its key claimed differential advantage(s). Differential advantage is a critical component of strategy because it usually forms the basic selling proposition around which the brand's communications are formed. It is also called the brand's positioning.

#### **Implementation**

The final strategy component of competitors that must be assessed is the supporting marketing mix. The mix provides insight into the basic strategy of the competitor and specific tactical decisions. These decisions are what customers actually see in the market place. Customers are exposed to price, advertising, promotion and other marketing mix elements.

### ➤ Strategy Regarding Technology

This can be done by using the following framework of six criteria.

- Technology selection or specialization
- Level of competence
- Sources of capability: Internal vs External
- R&D investment level
- Competitive timing: Initiate vs Respond
- Retail policies

## ➤ Predicting Future Strategies

We now have three sets of information about the competitors in the retail category:

- ❖ We have assessed how they are going to fulfill their objectives.
- ❖ We have made a judgment about their current retail marketing strategy.
- ❖ We have some idea about their resources and how they compare to ours

The final step is to put it all together and answer the question:

What are they likely to do in the future? In particular, we are interested in their likely strategies over the subsequent planning horizon, usually a year.

### **Approach the problem is to emulate what forecasters do with historical data:**

Historical observations on both a dependent variable (in our context, a competitor's strategy) and independent variables useful to predict the dependent variable (the reasonable variables)

#### *The forecasters might do one of the two things:*

- First, the forecaster might assume the trend will continue, suppose, the only relevant information is the historical pattern of past strategies.
- Second, if a retail brand has been appealing to increasing mature consumers, a manager might assume, it will continue to do so.
- An alternative way for the forecasters to proceed is to try to establish a cause-and-effect relationship between the resource variables and the strategy, in other words, to link changes in resources or abilities to the strategies to be pursued.

### **Approach to forecasting competitors:**

Forecasting competitors' possible actions is to simulate them. One can take existing data already collected, have different managers play the roles of the retail managers for the competitors, and develop competitor action scenarios.

## **Retail Environment:**

We can distinguish between the retailers' environment into Two:-

Micro Environment & Macro Environment

- The micro environment consists of the actors in the retailer's immediate environment that affects its ability to serve its markets: Suppliers, intermediaries, customers, competitors and publics.
- The macro environment consists of legal, social, economic and technological forces. We will first examine the retailers' micro environment and then its macro environment

## **Retailer's Micro Environment:-**

- ✓ The suppliers
- ✓ Intermediaries
- ✓ Customer's Chain

### **Suppliers:**

Suppliers are business firms and individuals who provide resources needed by the retailer. 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. 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. Retail purchasing agents try to build long-term trusting relationships with key suppliers.

### **Intermediaries:**

Intermediaries are firms that aid the retail shop in promoting selling and distributing its goods to final buyers.

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.

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.

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.

### **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.



## **Competitors**

Retailer's marketing system is surrounded and affected by a host of competitors. These competitors have to be identified, monitored and moving fast to capture and maintain customer loyalty.

A retailer must keep four basic dimensions in mind, which can be called Four CS of market positioning:

- ❖ Customer nature
- ❖ Channels
- ❖ Competition
- ❖ Characteristics of an organization

## **Retailer's Macro Environment:-**

- ✓ Demographic Environment
- ✓ Political / Legal Environment
- ✓ Social/ Cultural Environment
- ✓ Economic Environment
- ✓ Technological Environment

### **Demographic Environment:**

Retailers are keenly interested in the size of the population, its geographical distribution, density, mobility trends, age distribution and social ethnic and religious structure. Retailers are 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.

### **Political / Legal Environment:**

This environment is composed of laws, government agencies and pressure groups that influence and constrain various organizations and individuals in society. Legislation affecting retail business has steadily increased over the years.

### **The purposes of legislation are:-**

- To protect from each other, laws are passed to prevent unfair competition.
- Government regulation is to protect consumers from unfair retail practices. Unfair consumer practices have been defined and are enforced by various agencies.
- Government Regulation is to protect the larger interest of society against unbridled business behavior. The retail marketing executive needs a good working knowledge of the major laws protecting competition consumers and the larger interests of society

### **Social/ Cultural Environment:**

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 analyzed by retail business people/firm. This will help them to reorient their strategy to fulfill the demands of their consumers.

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

### **Economic Environment:**

Marketers should be aware 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 programs and strategies.

### **Technological Environment:**

Advances in technology are an important factor which affects retail 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.

**Following are the areas where technologies 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 Billing

### **Trends in the Indian Retail Industry:**

#### **Factors Underlying Trends of Modern Retail in India**

The driving forces towards that trend can be broadly classified into the following categories.

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

The government of India has clarified on a number of occasions that foreign direct 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 joint ventures, limiting the foreign stake, or specifying the cities where investment is permitted. Fast food chains like McDonald's and Pizza Hut are already operating.

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

### **A Brief on Organized Retail in India**

#### **1) Reliance Retail**

Reliance Retail started off with the launch of Reliance Fresh chain, which houses fresh fruits and vegetables, dairy products etc. The stores also have a separate enclosure and supply chain for non-vegetarian products.

Reliance is also managing supply chain for Sahakari Bhandar co-operatives in Mumbai. Reliance also operates

The A1 Plazas convenience stations on the high way with food and bath facilities and also Qwik Mart quick transaction stores offering the convenience of buying household food and non-food merchandise, music, take –away café etc.

#### **2) The Tata Group**

Its retail arm is called Trent. They are launching a new subsidiary 'Infiniti Retail' in JV with Woolworths.

Trent operates 24 Westside stores, with its positioning being style offered at affordable prices for all age groups. Trent entered hypermarket business with the launch of Star India Bazaar.

It has 76% stake in books and music retail giant Landmark also. Titan Industries – It's a JV between Tata group and Tamil Nadu Industrial Development Corporation (TIDCO). This JV also owns the branded jewelry brand Tanishq.

### **3) Lifestyle International:**

It is owned by Dubai based Landmark Group, which operates 9 Lifestyle stores (Average store size being 46000 sqft) and 3 Home Centre`s. The group has plans to invest around 450 crore in next three years to fund its expansion of the Max chain of value retail stores, Home Centre`s, Max Hypermarkets and Lifestyle Centre`s.

The Max range of value stores target the mid-market segment in major metros and mini metros, and offer clothing, footwear and accessories.

## Unit II

### Store Location and Layout

#### What is a retail location?

A retail location is the place a business sells goods in person. From traditional freestanding brick-and-mortar stores to mall space, the best retail location is in a high-traffic area where your potential customers are known to shop.

#### The Importance of Retail Location:

##### **Your customer and the population**

Before deciding on a city or state to open a retail store, do extensive research on the area. Read the local papers and talk to other local small businesses. From any of these sources, you can find information about the region's population, income groups, and median age. You already know who your clients are, so choose a place close to where they live, work, and shop.

##### **Traffic, visibility, and accessibility**

Don't mistake a high volume of traffic for a large number of clients. Retailers want to be in areas with so many customers, but only if those customers fit their target market criteria.

Along these lines, a few things that retailers should think about are:-

- How many people pass by the place walking or by car?
- Is public transportation well-served in the area?
- How easy is it for consumers and delivery vehicles to enter and exit the parking lot?
- Is there sufficient parking?

##### **Neighbors and competition**

Other local businesses in your potential location can help or hinder your retail store. Check to see if the types of businesses in the area are appropriate for your store

##### **Costs of the location**

Consider all location-based expenditures when choosing a retail store location, including the base rent such as:-

- Who is responsible for grass maintenance and security?
- Who is responsible for the maintenance and repair of the heating and air conditioning units?
- Will you need to paint or alter the space to make it suitable for your needs?
- Will the retailer be liable for real estate taxes?

##### **Personal aspects**

Consider work-life balance issues such as the distance between your store and your house, as well as other personal considerations, if you plan to work in your store. If you spend so much time going to and from work, the benefits of becoming your own boss may be overshadowed by the commute.

##### **Final points to consider**

When it comes to choosing your retail store location, you may need to take extra precautions. Make a list of any unique aspects of your company that need to be addressed such as:-

- Will the store necessitate special lighting, fixtures, or other hardware?
- Are there restrooms for both employees and customers?
- Is the neighborhood adequately protected by fire and police?

- Is there any sanitation service?
- Are there any limits on Sunday sales?

## Issues considered in Location Analysis:

### a. “macro” areas (country and region)

#### 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.

Linking demographics to behavioral 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

#### 2. Economic

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. (GDP is a measure of the goods and services produced in the country.)

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.

#### 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

Retailers need to be aware of the different aspects of culture that will affect the location decision.

#### 4. Demand

The demand for a retailer’s goods and services will influence where the retailer will locate its stores.

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.

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

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.

## **6. Infrastructure**

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.

### **b. “micro” areas (trade area and site evaluation)**

#### **1. Demographic**

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.

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.

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.

#### **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 labor 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.

#### **4. Demand**

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.

#### **5. Defining the Trade Area**

- Reilly’s law
- Huff’s model
- Concentric circles
- The use of geo demographics

## 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.

A trade area can be defined by using Reilly's law to calculate the break points between a city of interest and surrounding city

Use Reilly's formula to calculate the break point distances.

$$\text{Break point} = \frac{\text{Distance between cities}}{1 + \sqrt{\frac{\text{Population of the large city}}{\text{Population of the small city}}}}$$

## Huff's Model

David Huff developed a slightly more complex alternative to Reilly's Law. Huff's model considers the size of the shopping center, how long it would take a customer is looking for. Huff's model gives retailers an approximate probability of how likely it will be for a consumer to travel to a specific shopping center.

$$\text{Prob} = \frac{\text{sqft}_i}{\text{Travel time to competing shipping centers}}$$

## Concentric Zones

To analyze 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.

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.

## 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.

### 6. Estimating Market 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.



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

## Types of Location

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

### I. Planned Shopping Centre's

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.

#### 1. Neighborhood Shopping Centre

This type is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Smaller stores offering drugs, sundries, snacks, and personal services support these anchors.

The relatively small size of the strip center means that it offers a rather narrow array of convenience or specialty stores.

If the target market for a retail store matches the profile of the neighborhood 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.

The centre is usually configured as a strip, in a straight line, an “L”, or a “U” shape

#### 3. Regional Shopping Centre

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.

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.

#### 4. Super Regional Shopping Center

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

## **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

## **6. Power Centre**

“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.

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.

## **7. Theme / Festival Center**

This center typically employs a unifying theme that is carried out by 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 (sometimes historic) building

## **8. Factory Outlet Center**

An outlet center consists mostly of manufacturers stores selling their own brands at a discount. An outlet center typically is not anchored. A strip configuration Notes 81 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 many of outlets centers, factory outlets seem ideally suited for tourist destinations

## **II. Central Business District**

The central business district (CBD) is a shopping area located in either the central downtown area or another area in the city with a concentration of businesses. The CBD contained the largest concentration of department stores. Clothing stores, jewellery stores, variety stores, and specialty stores.

The following attributes should be considered;

- Easy access from street,
- Space and lighting for appropriate signage,
- Physical dimensions required to support business use,
- The design enticements make the location a unique shopping experience

## **III. Free Standing Locations**

Drive in locations is special cases of freestanding sites that are selected for satisfying the needs of customers who shop in their automobile. In some situations, the drive – in aspect of the retail business is only to supplement existing in – store sales, but the same requirements of all drive – in location apply. These sites are usually positioned along or beside heavy traffic arteries in neighborhood, city streets, or inner city

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.

To attract recreation or pleasure trip shoppers, locations along a heavily travelled artery are best. The location should be convenient to enter and leave, adjacent to the incoming traffic.

### **Assessing Site Evaluation Criteria:**

#### **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.

#### **2. Accessibility to the site:**

Automobile and public transportation access to the site and adequate parking may well be defining criteria.

#### **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.

#### **4. Synergies from nearby stores:**

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.

Technology is providing new ways to fine-tune the site evaluation process in terms of the architectural fit with neighboring stores.

#### **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.

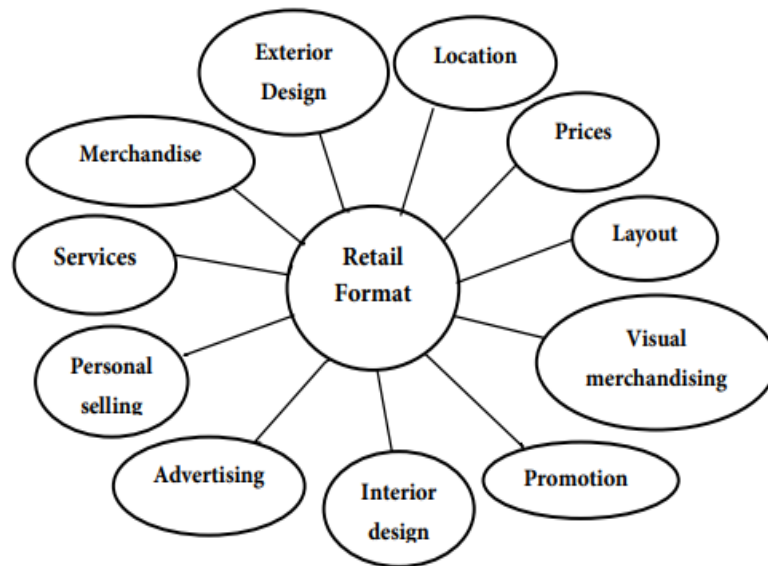
#### **6. Legal and political environment:**

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.

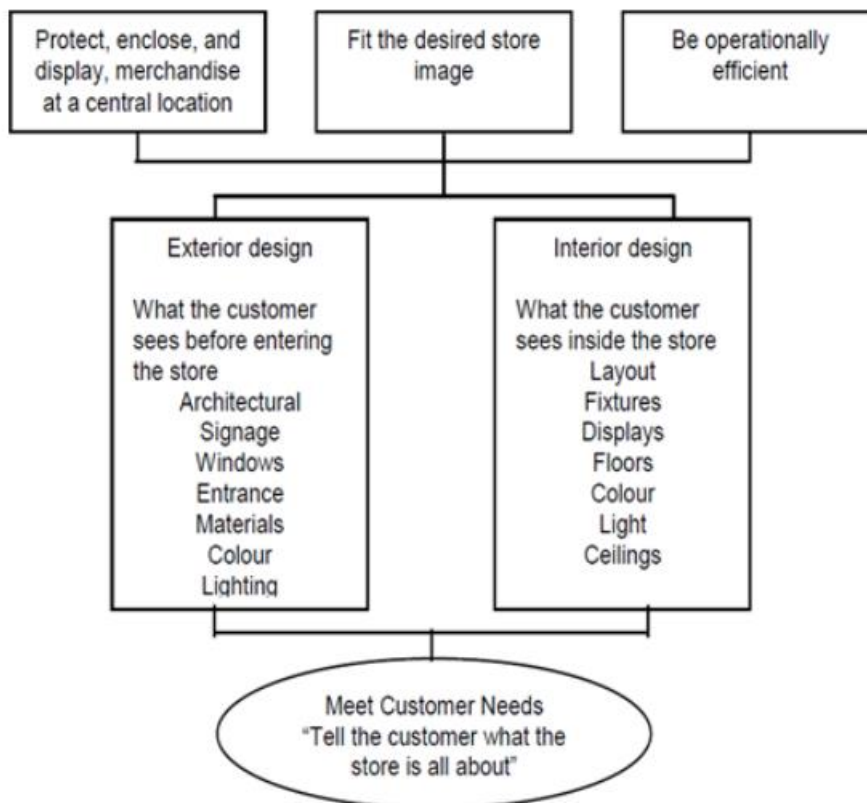
#### **7. Physical features:**

The physical features of the site and neighboring area must not be overlooked. Whether it is raw land or an existing building, the physical dimensions of the site must fit your needs.

## Store Design and Layout:



## Comprehensive Store Planning:



## General Requirements in Store Design:

### Store Image:

A store design serves two, often opposing, functions:

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 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.

## **Holistic Approach:**

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. 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.

## **Technology and Planning:**

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 20000-sq-ft design software and hardware  
New combinations of interactive and multimedia technologies will change the way retailers design for direct customer contact and information assistance.

## **Exterior Design:**

### **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. 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:**

Lease requirements. Many property owners require retailers that lease their space to adhere to certain rules regarding store design. First, they assure the owner that property will be maintained good condition. Second, they ensure that the surrounding property does not lose value

#### **Building codes:**

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;

Third they reflect the community's attitude with regard to appearance.

#### **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.

### **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.

#### **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.

#### **5. Windows:**

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.

The window displays project the image of the store. While one store 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.

#### **6. The Store Entrance:**

. 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."

#### **7. Store Name:**

The choice of a store name does have an effect on the overall store image. The favorable or unfavorable image generated by the use of a name can enhance or negate the style set by store design.

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.

#### **8. Theft Prevention:**

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.

#### **9. Multilevel Stores:**

The multiple level stores are 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.

### **Interior Store Design and Layout:**

- **Value of Space:**

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 time's 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.

- **Space Utilization and Allocation:**

The desire to minimize non-selling space has led to several innovative operating procedures. Among them is the restocking of inventory. Many retailers have begun using quick response (QR) inventory system, where inventory arrives from vendors or a distribution center as it needed on the selling floor.

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.

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.

b) Allocation by Gross Margin:

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.

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.

d) Allocation by Strategic Objective:

Sales in a particular product line, the manager will allocate the product more space that is justified by its previous sales. Store managers may also use this method for short-term promotion to build up sales of new product line. Thus, this is sometimes referred to as the ‘build up’ method.

- **Storage of Stock:**

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.

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.

- **Customer Traffic Flow:**

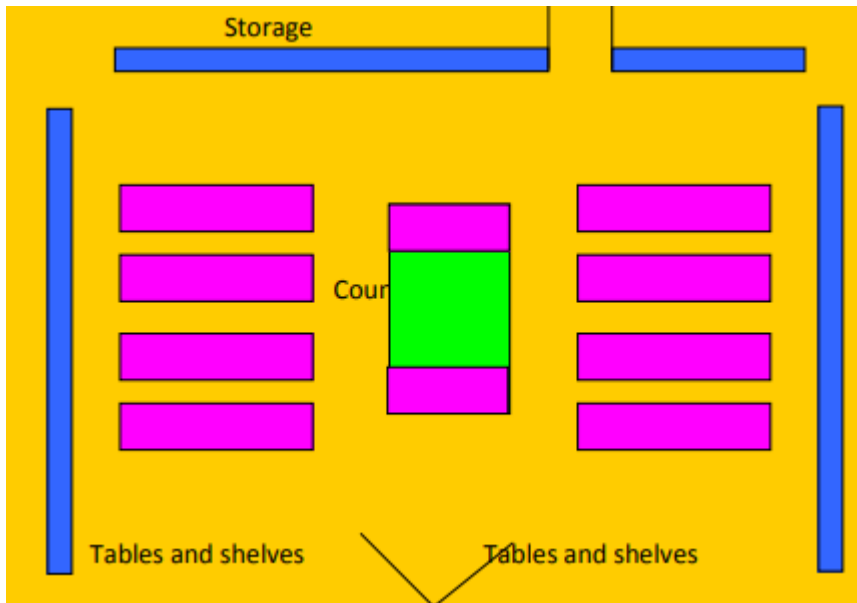
Merchants use three basic types of layout patterns to control traffic flow in a store.

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.

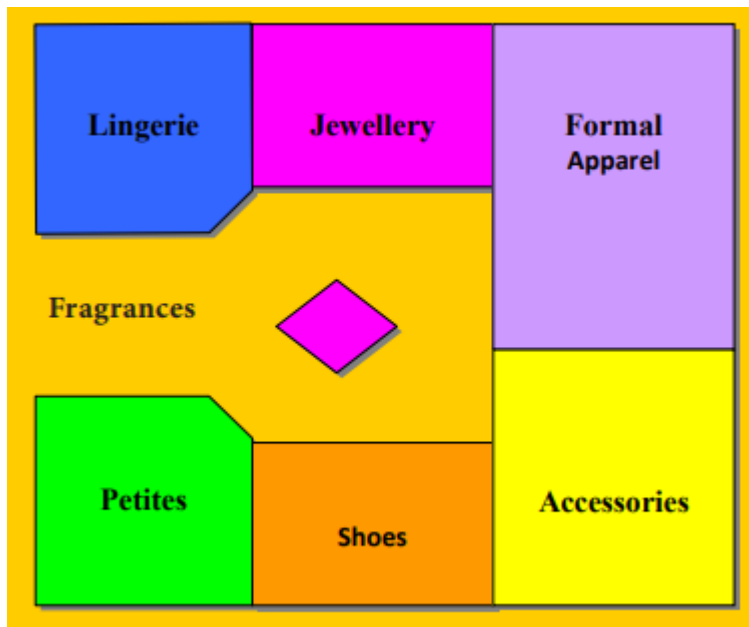
The second major type of layout design is the free flow pattern. The free flow arrangement provides for flexibility in a layout. It reduces to a minimum the structural elements that from the fixed shell of building, such as columns and fixed partitions. Counters are arranged to give maximum visual interest 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

### Grid Pattern Layout:



### Boutique Layout:



### Types of 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.



- **Speciality Goods:**

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. Speciality goods are unique in that they can create customer traffic. Often a store selling speciality goods can locate in a less expensive site.

- **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.

- **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.

## Interior Design Elements:

### 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.

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.

### Displays:

Display an important role in a retail store. An attractive and informative display can help sell goods.

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
- g) Display names of products and store name
- h) Displays should also be simple and not chaotic or congested

### Colour:

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.

### Lighting:

The function of lighting was to provide customers with a means of finding their way through the store. Too much or too little lighting, or even the wrong type of lighting, can create false impressions about the merchandise on display. In candescent lighting used alone

**Flooring:**

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.

**Shelving:**

Stainless steel shelving creates an entirely different effect than the painted wood cubes in the Country Seat or the typical metal shelving seen in a general merchandise store, Glass shelving, framed in the woods, creates an element of elegance difficult to achieve otherwise.

**Plano Grams and Shelf Layout Design:**

Other considerations can round out the image and atmosphere created by the interior design elements. 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.

## UNIT-III

### Merchandise Management

#### Meaning:

Merchandise management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation.

The process of merchandise management includes the developing of strategies to ensure that the right product is bought at the right price, is available at the right place, at the right time, in the right amount, in order to satisfy the needs of the target customer. No one in retail can completely avoid any contact with merchandising activities. Merchandising is the day-to-day business so fall retailers.

As inventory is sold, new stock needs to be purchased, displayed and sold. Hence, merchandising is often said to be at the core of retail management.

#### Functions of a Merchandise Manager:

##### ❖ Planning

Though the merchandise managers may not directly be involved in the actual purchase of the merchandise, they formulate the policies for the areas for which they are responsible. Forecasting the sales for the forth coming budget period is required and this involves the estimation of the consumer demand and the impact of the changes occurring in the retail environment.

##### ❖ Organizing

It involves the establishment of an intentional structure of roles through determination and enumeration of the activities required to achieve the goals of an enterprise and each part of it. The grouping of these activities, the assignment of such groups of activities, the delegation of authority to carry them out, and provision for coordination of authority and information all relationship horizontally and vertically to be carried out by the merchandise manager.

##### ❖ Directing

Guiding and training buyers as and when the need arises, is also a function of the merchandise manager. Many a times, the buyers have to be guided to take additional mark downs for products, which may not be doing too well in the stores. Inspiring commitment and performance on the part of the buyers is necessary.

##### ❖ Controlling

Assessing not only the merchandise performance, but also the buyer's performance, is a part of the merchandise manager's job. Buying performance may be evaluated on the basis of the net sales, mark up percentage, the gross margin percentages and the stock turn. This is necessary to provide controls and maintain high performance results.

##### ❖ Coordinating

Usually, merchandise managers supervise the work of more than one buyer; hence, they need to coordinate the buying effort in terms of how well it fits in with the store's image and with the other products being bought by the other buyers.

## Functions of Merchandisers

- Inventory-level management
- Achieving sales & profit margins
- Plan merchandise
- Availability management, as per range plan
- Merchandising strategy & planning
- Processing of purchase orders
- Analysis of data & sales budgeting
- Profitability Target & expense control
- Vendor/supplier relations for both, in house products as well as for brands

## Merchandise Planning

### Step I: Process of Planning Sales Forecast

The process of developing sales forecast involves the following steps:

#### 1. *Identifying Past Sales*

Are view of the past sales records is necessary to establish if there is any pattern or trend in the sales figures. A look at the sales figures of the past year, for the same period, would give an indication of the sales in the current year, given that the conditions are constant.

#### 2. *Reviewing the Changes in the Economic Conditions*

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

#### 3. *Analyzing the changes in the sales potential*

It is now necessary to relate the demographic changes in the market to that of the store and the products to be sold.

#### 4. *Finding the changes in the marketing strategies of the retail organization and the completion*

While creating the sales forecast, it is necessary to take into consideration, the marketing strategy to be adopted by the organization and that of the competition. Is there a new line of merchandise to be introduced, a new store to be opened or an existing store to be remodeled? All these factors need to be taken into consideration.

#### 5. *Creating the Sales Forecast*

After taking into consideration the above-mentioned points, and estimate of the projected increase in the sales, is arrived at. This is then applied to various products/categories, to arrive at the projected sales figures. A sales forecast is thus, an outline of what amount of sales need to be achieved.

### Step II: Identifying the Requirements

## Methods of Inventory Planning

*Four methods given below can be used for planning the inventory levels needed.*

❖ *The Basic Stock Method*

This method of inventory planning is used when the retailer believes that it is necessary to have a given level of inventory on hand, at all times. Basic stock is the minimum amount of inventory that needs to be maintained for a product, category or store, even during time so flow sales.

It is calculated as under:

Basic Stock = Average stock for the season – Average monthly sales for the season,

$$\text{Average monthly sales for the season} = \frac{\text{Total planned sales for the season}}{\text{Number of months in the season}}$$

$$\text{Average Stock for the Season} = \frac{\text{Total Planned Sales for the season}}{\text{Estimated Inventory Turnover Rate for the season}}$$

$$\text{Beginning of Month (BOM) Stock} = \text{Planned Monthly Sales} + \text{Basic Stock}$$

❖ *The Percentage Variation Method*

This method is normally used when the stock turnover rate is more than six times a year. The basic premise behind this method of inventory planning is that the inventory levels should reflect the actual sales.

It is calculated as under:

$$\text{BOM Stock} = \text{Avg Stock for season} \times \frac{1}{2} (1 + (\text{Planned sales for the month} / \text{Average Monthly sales}))$$

❖ *Week's Supply Method*

Retailers such as grocers, who plan; inventories on a weekly, and monthly basis, and whose sales do not fluctuate substantially, largely follow the Week's Supply Method. It is calculated as under:

$$\text{Number of Weeks to be Stocked} = \frac{\text{The Number of Weeks in the period}}{\text{stock turnover Rate for the period}}$$

$$\text{Average Weekly Sales} = \frac{\text{Estimated Total Sales for the Period}}{\text{The Number of Weeks in the Period}}$$

$$\text{BOM Stock} = \text{Average Weekly Sales} * \text{Number of Weeks to be Stocked}$$

❖ *Stock to Sales Ratio Method*

This is very easy to use, but it requires the retailer to have a beginning of the month stock/sales ratio. It involves the maintaining of the inventory levels at a specific ratio to the sales.

This ratio tells the retailer how much inventory is needed at the beginning of the month, to support the month's estimated sales.

**Stock-Sales Ratio = Value of inventory/Actual Sales**

**Planned BOM Inventory = Stock Sales Ratio \* Planned Sales.**

❖ *The Stock Turnover Rate*

An effective measure of the speed with which products or merchandise moves in and out of a retail store or a given period is the Stock Turnover Rate.

It is a measure of efficiency and is usually calculated for a period, of six months or a year.

$$\frac{\text{Planned sales (for a period)}}{\text{Planned Average Inventory (for the period)}} = \text{Stock turnover}$$

### Step III: Merchandise Control

The purpose of Open-to-buy is two-fold.

First, depending on the sales for the month and the reductions, the merchandise buying can be adjusted.

Secondly, the planned relation between the stock and sales can be maintained.

**When used effectively, Open-to-buy ensures that the buyer:**

- Limits over buying and under buying,
- Prevents loss of sale due to unavailability of the required stock,
- Maintains purchases within the budgeted limits,
- Reduces mark downs, which may arise due to excess buying.

**The open-to-buy amount available to a buyer is calculated using the simple formula stated below:**

$$\text{Open-to-buy} = \text{Planned EOM Stock} - \text{Projected EOM Stock}$$

### Step IV: Assortment Planning

Assortment Planning involves a determination of the quantities of each product that will be purchased so as to fit into the overall merchandise plan. The main purpose of creating an assortment plan is to create a balanced assortment of merchandise for the customer.

**Merchandise may be classified into:** - basic or staple merchandise, fashion, convenience or specialty goods.

#### *Fashion Merchandise*

This type of merchandise has a high demand for a relatively short period of time. Buying the right quantities at the right time is of great importance for this category of products, as the demand for the product exists for a limited time.

## *Basic Merchandise*

These are products which consumers buy year in and year out. The store would usually require these products, to be in stock at all times. Buying staple merchandise is relatively easier; it can be easily done by analyzing the past sales records.

## **Merchandise Buying**

The basic role of a buyer is to find, evaluate and select merchandise for the retail store. In this process, he needs cultivate sources for which suitable merchandise can be secured for the retail organization.

To do this effectively, he needs to answer the following questions:

- What to buy?
- When to buy?
- How much to buy?
- Where and from whom to buy?

Merchandise buying is a four – step process, which involves:

### **1. Finding Supply Sources**

Domestic sources of supply may be located by visiting central markets, trade shows or expositions may locate domestic sources of supply, usually, each city has its own central market, where a large number of key suppliers are located.

A retailer may also source from a foreign markets imply because the merchandise is unique and because certain customers are always looking for a unique product. A decision that is closely associated with the branding decisions is to determine where the merchandise is made.

#### **Costs associated with Global sourcing Include:**

**Country or Origin:** Many a times, where the merchandise has been manufactured makes a high difference during the final sale of the product.

**Foreign currency fluctuations:** Fluctuations in the international currency rates will all affect the buying price of the product. At times due to violent fluctuations in the price sourcing products internationally may suddenly become viable or unlivable.

- **Tariffs:** Also known as duties, they are taxes placed by a government, on imports. Import tariffs shield domestic manufacturers from foreign competition and raise money for the government.
- **Foreign Trade Zones:** These are special area within a country that can be used for warehousing, packaging, inspection, labeling, exhibition, assembly, fabrication, or trans-shipment of imports, without being subject to that country's tariffs.
- **Cost of Carrying Inventory:** Purchase of goods is always sat a price. When the merchandise is finally sold, it makes a very big difference on the carrying costs.
- **Transportation costs:** While sourcing products internationally, it is essential to keep in mind the cost that will be involved in transporting the goods to the various markets that the retailer operates in.

## **2. Identifying Potential Suppliers:**

A decision now needs to be taken on the potential vendors. The following criteria need to be kept in mind:

1. The target market for whom the merchandise is being purchased.
2. The image of the retail organization and the fit between the product and the image of the retail organization. 3. The merchandise and prices offered.
4. Terms and services offered by the vendor.
5. The vendor's reputation and reliability

## **3. Merit Rating the Supply Sources**

Retailers have for long, been wary of sharing information with their suppliers. This hardly surprising – considering their traditionally competitive relationship, with both sides trying to get the best of every deal. However, times have changed, and many retail organizations work with their suppliers as a team to create a competitive advantage.

Thus, to maintain strategic partnership with vendors, the buyer needs to build:

1. Mutual Trust,
2. Open Communication,
3. Common Goals
4. Credible Commitments

## **4. Finalizing terms with Supply Sources**

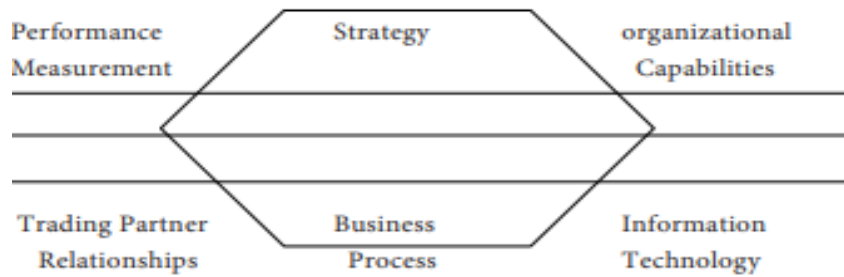
In case a buyer is dealing with multiple vendors for a particular product category, he can draw conclusions on a vendor's performance by listing the following:

- The total orders placed on the vendor in a year
- The total returns to the vendors, the quality of the merchandise.
- The initial mark upon the products.
- The mark down,
- Participation of the vendor in various schemes and promotions.
- Transportation expenses, if borne by the retailer.
- Cash discounts offered by the vendor, and lastly,
- The sales performance of the merchandise.

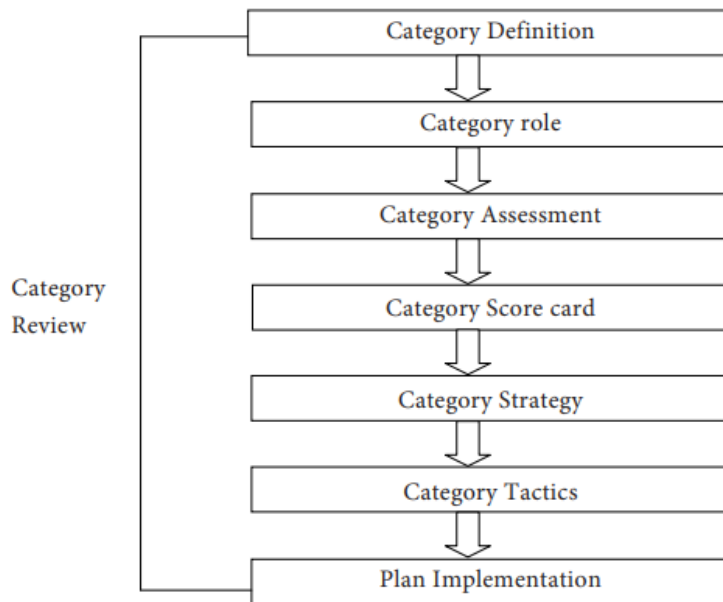


## Category Management

Category Management can be defined as “the distributors’/sup- pliers’ process of managing categories as strategic business’s units, producing enhanced business results by focusing on delivering consumer value. Thus, a category is a basic unit of analysis for making merchandising decision.



**The components of category Management**



**The Category Management Business process**

The steps involved in this process are explained briefly, below:

### 1. Category Definition

Category Definition is the first step in the process. The definition of the category has a significant impact on the subsequent steps. A category definition should be based on how the customer buys, and not on how the retailer buys

### 2. Defining the Category Role

The category role determines the priority and the importance of the various categories in the overall business. This aids in resource allocation.

Traditionally, four categories have been identified they are:

### Destination Category

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

### Routine Category

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

### Seasonal Category

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

### Convenience Category

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

## 3. Category Assessment

In this step, the current performance of the category is evaluated with respect to the turnover, profits and return on assets in the category. It involves an assessment of the consumers, the market, the retailer and the suppliers.

## 4. Category Performance Measures

The development of category performance measures involves the setting of measurable targets in terms of sales, margins and Gross Margin Returns on Investment (GMROI)

## 5. Category Strategies

At this point in the process, the retailers and the supplier know the category's role; they have assessed the current performance of the category and have set preliminary targets for the category's performance.

The retailer and supplier to develop strategies that capitalizes on category opportunities through creative and efficient use of the resources that are available to the category. Category strategies can be aimed at building traffic or transactions, generating cash, generating profit, enhancing the image or creating excitement.

## 6. Category Tactics

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

## 7. Category Plan implementation

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

## 8. Category Review

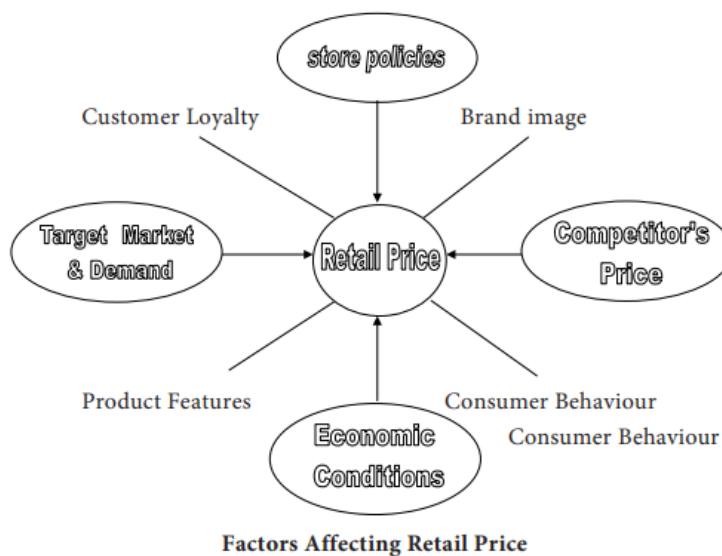
The final step in the business process is the review of the progress and of the actual achievements as against the targets set for the category. Review aids in taking decisions at the right point of time. Category management is considered to be a “scientific” approach to relating in the mature markets, largely because it is date driven and fact based.

## Retail Pricing and Merchandise Performance

### Retail Pricing

The pricing technique used by most retailers is cost-plus pricing. This involves adding a markup amount (or percentage) to the retailer’s cost. In Western countries, retail prices are often called psychological prices or odd prices. Often prices are fixed and displayed on signs or labels.

The various factors affecting retail pricing are illustrated in the fig. show below:



### Factors Affecting Retail Price:

#### Elements of Retail Price

The first element to be considered is the Cost of Goods, which is the cost of the merchandise and various other expenses that are involved in the movement of the goods from the manufacturer to the actual store.

These expenses may be Fixed or Variable. Fixed Expenses are those, which do not vary with the quantity of the sale or business done. Shop rents and Head Office costs fall into this category.

The level of sales directly affects the variable expenses. Merchandise margins and the product mix, however, are variable, and their management can either enhance or destroy Profitability.

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

**Thus, the following formulae would apply:**

$$\text{Mark Up Percent (Based on Retail Price)} = \text{Mark Up in Rupees} / \text{Retail Price}$$

$$\text{Mark Up Percent (Based on Cost)} = \text{Markup in Rupees} / \text{Cost.}$$

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

Markdowns are reductions in the original retail price. Discounts offered to customers and employees who buy the products, also reduce the markup percentage.

Shrinkage includes loss of merchandise due to thefts, or damaged/soiled goods. All these costs reduce the profit margin and hence must be accounted for.

### **Developing a Pricing Strategy**

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

In Cost-oriented pricing, a basic mark up is added to the cost of the merchandise, to arrive at the price. Here, retail price is considered to be function of the cost and the markup.

$$\text{Thus, Retail Price} = \text{Cost} + \text{mark up}$$

If this formula is rearranged, we get

$$\text{Cost} = \text{Retail Price} - \text{Markup}$$

$$\text{Mark up} = \text{Retail Price} - \text{Cost}$$

The difference between the selling price and the cost is considered to be the markup and should cover for the operating expenses and the transportation, etc. Markup percentages may be calculated on the retail price or on the cost.

They are calculated as under.

$$\text{Markup \% (at retail)} = (\text{Retail Selling Price} - \text{Merchandise Cost}) / \text{Retail Selling Price}$$

$$\text{Markup \% (at cost)} = (\text{Retail Selling Price} - \text{Merchandise Cost}) / \text{merchandise Cost}$$

### **Approaches to a Pricing Strategy**

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

The pricing strategies that can be followed include:

#### **Market skimming:**

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

### **Market Penetration:**

This strategy is the opposite of market skimming and aims at capturing a large market share by charging low prices. The low prices charged stimulate purchases and can discourage competitors from entering the market, as the profit margins per time are low. To be effective, it needs economies of scale, either in manufacturing, retail or both.

### **Leader pricing:**

Here, the retailer bundles a few products together and offers them at a deep discount so as to increase traffic and sales on complementary items. The key to successful leader pricing strategy is that the product must appeal to a large number of people and should appear as a bargain. Items best suited for this type of pricing are those frequently purchased by shoppers, e.g., bread, eggs, milk, etc.

### **Price Bundling:**

Here, the retailer bundles a few products together and offers them at a particular price.

For example, a company may sell a PC at a fixed price and the package may include a printer and a web camera. Another example is that of the Value Meal offered by Mc Donald's .Price bundling may increase the sales of related items.

### **Multi-unit Pricing:**

In multi-unit pricing, the retailers offer discounts to customers who buy in large quantities or who buy a product bundle. This involves value pricing for more than one of the same item. Multi-unit pricing usually helps move products that are slow moving.

### **Discount pricing:**

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

### **Every Day Low Pricing:**

Every Day Low Pricing or EDLP, as it is popularly known, is a strategy adopted by retailers who continually price their products lower than the other retailers in the area.

This is determined by what mark up the retailer works on. Alternately, the demand-oriented method bases prices on what price the customer expects to pay for the product.

The price fixed here is based on the perceived value of the product. Ultimately, it is the planned gross margin, which needs to be achieved, and which is a major consideration while fixing the retail price.

### **Adjustments to Retail Price**

Many a times, retail prices need to be adjusted to meet the conditions prevailing in the market. Adjustments to retail prices can be done by way of mark downs or by way of promotions. Mark downs are permanent reduction in the price and this step may be taken as a result of slow selling of the product or as a part of a systematic strategy.

Timely markdowns help improve the profitability, increase the turn over and increase the profit. Mark downs may be necessitated due to wrong forecasting, over buying, and faulty selling practices or simply because the product is shop soiled or the odds and ends of a range are left at the end of a season.

The mark down percentage is calculated as follows:

$$\text{Total markdown} / \text{Total sales} \times 100$$

## Merchandise Allocation

Once the merchandise is purchased and priced, it must be allocated to the stores. Most retailers classify their stores as A, B, or C, based on their sales potential. Each chain's allocation of merchandise to its stores is different, but it should be based on the total number of stores in the chain and the distribution of sales among the stores

### Analyzing Merchandise Performance

There are three methods of analyzing merchandising performance:

#### ABC Analysis

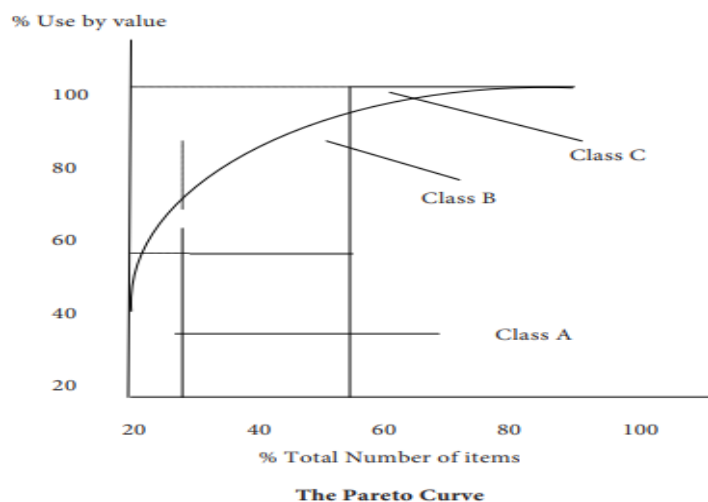
ABC analysis ranks merchandise by a pre-determined performance measure. This helps determine which items should never be out of stock, which items should occasionally be allowed to be out of stock and which items should be deleted from the stock selection.

The first step in the ABC analysis is to rank orders SKUs, using one or more criteria. The most important performance measure for this type of analysis is contribution margin, where

$$\text{Contribution margin} = \text{Net Sales} - \text{Cost of Goods Sold} - \text{Other variable expenses}$$

#### Pareto Curve

The next step is to determine how items with different levels of profit or volume, should be treated. The buyer may define as category A, those items that account for 5% of the total quantity of items but represent 70% of the sales value. Category B items usually represent 10% of the sales value whereas category D consists of those items for which there were no sales in the past season.



#### Sell Through Analysis

A sell through analysis is a comparison between the actual and the planned sales, to determine as to whether early markdowns are required or whether more merchandise is needed to satisfy demand. It depends on factors like the past experience with the merchandise whether the merchandise is schedule to feature in advertising, whether the

vendor can reduce the buyer's risk by providing markdown money, etc. If actual sales stay significantly ahead of the planned sales, a reorder should be made.

### **Multiple Attribute method**

This method uses a weighted average score for each vendor. The following steps are followed.

1. Developed a list of issues to consider for decision – making – vendor reputation, service, merchandise quality, selling history, etc.
2. Give importance weights to each attribute.
3. Make judgment about each individual brand's performance on each issue.
4. Combine the importance and performance scores
5. Add all to arrive at the brand scores.

### **Gross Margin Return on Investment (Gmroi)**

Many retailers use the performance indicator of gross margin percent (after markdown) and weeks cover to measure performance. While the gross margin percent is a measure of the relative profitability, without taking into account the costs of stockholding investment, week's cover tells us how effectively the stock was turned, without informing us about its relative profitability.

Product winners are those products that perform well, which boost profitability and are the best return-on-investment products. Core Products on the other hand, are the buyer's lies to existing winners that should never be out of stock.

Another method of managing inventory investments is to predetermine the stock levels at which merchandise should be reordered. This is known as the reorder point.

Various factors, like the lead-time required, the safety stock and the speed at which the products sell, have to be taken into consideration.

**The Economic Order Quantity (EOQ) is determined.**

$$EOQ = \sqrt{2Ds/IC}$$

D=annual demand,

S=Costs to place the order,

I=Percentage of annual carrying cost to unit cost

C= unit cost of an item

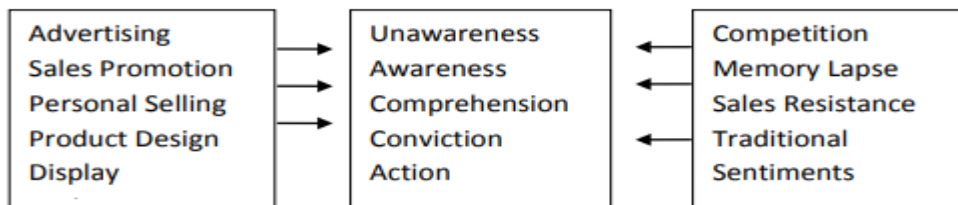
The EOQ model assumes that the unit cost of an item is constant, irrespective of the quantity ordered. In practice, for large orders, quantity discounts in price and transportation costs are usually offered. Such discounts cannot be accounted for, in the EOQ model.

## UNIT-IV

### Communicating with the Retail Customer:

Retail promotion serves as the key in communicating the target market. Promotion is basically a communication process. The various promotion mix elements designed for this purpose are also referred to as “Communications Mix”.

The process of communication mix is as follows:



**Marketing Communication Process**

### Need for Communication:

The process of communication is generally divided into Explicit and Implicit communications. The former one involves the use of language to establish common understanding among the people. Implicit communication is an ‘intensive interpretation of symbols’ and is basically a form of non-verbal communication

The marketing communications mix (also called the promotion mix) consists of five major tools:

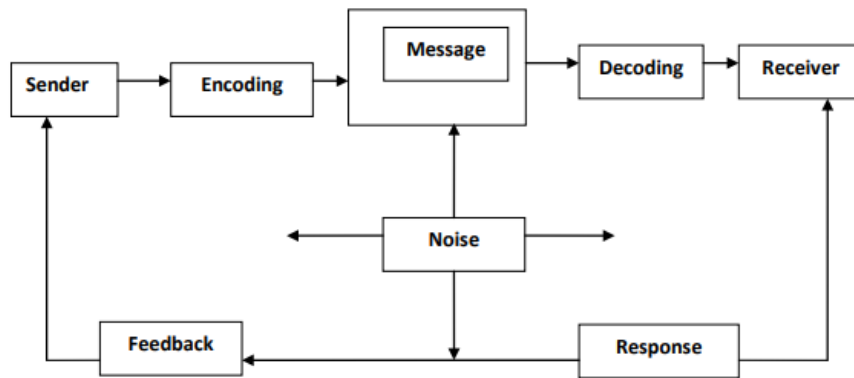
- **Advertising:** Any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor.
- **Direct Marketing:** Use of mail, telephone and other non personal contact tools to communicate with or solicit a response from specific customers and prospects.
- **Sales Promotion:** Short-term incentives to encourage trial or purchase of a product or service.
- **Public Relations und Publicity:** A variety of programs designed to promote and / or protect a company’s image or its individual products.
- **Personal Selling:** Face-to-face interaction with one or more prospective purchasers for the purpose of making sales.

### The Communication Process

Marketers need to understand how communication works. A communication model answers

- (1) Who
- (2) Says what
- (3) In what channel
- (4) To whom
- (5) With what effect.





Elements in the Communication Process

### The process of communication involves the following steps:

- **Sender:** The person who conveys his thoughts, message or ideas to the receiver is known as the sender. He is at the starting point of the communication system and represents the source of communication.
- **Message:** The subject matter of communication is termed as messages. It includes ideas, feelings, suggestions, order, etc., which a sender wants to convey to the receiver.
- **Encoding:** The process of converting messages into communication symbols, which may be understood by the receiver, it includes words, pictures, gestures, symbols, etc Encoding translates the internal thought of the sender into a language which can be understandable.
- **Media:** The path, channel or medium through which encoded message is transmitted to the receiver is known as media. It is the carrier of the message. It can be in written form, face to face, through telephone, letter, internet, etc.
- **Decoding:** The process of translating the encoded message into an effective language, which can be understood by the receiver, is known as decoding. In this, the encoded symbols of the sender are converted.
- **Receiver:** The person who receives the message of the sender is known as the receiver.
- **Feedback:** In order to complete the process of communication, feedback is essential. The process of reversal of communication in which the receiver expresses his reaction to the sender of the message is known as feedback. Feedback ensures that the receiver has received and understood the message.
- **Noise:** Any construction or hindrance which hampers the communication process is known as noise. The hindrance may be caused to the sender, message or receiver. Disturbance in the telephone line, inattentive receiver, faulty decoding, poor internet connection, improper gestures and postures, etc., are some examples of noise.

### Steps in Developing Effective Communication:

#### \* Identifying the Target Audience:

A marketing communicator must start with a clear target audience in mind. The audience could be individuals, groups, particular publics, Notes 168 or the general public. The target audience will critically influence the communicator's decisions on what to say, how to say it, when to say it, where to say it, and to whom to say it.

\* **Determining the Communication Objectives:**

Once the target market and its characteristics are identified, the marketing communicator must decide on the desired audience response. The ultimate response, of course, is purchase and satisfaction. But purchase behavior is the end result of a long process of consumer decision making. The marketing communicator needs to know how to move the target audience to higher states of readiness to buy.

<b>Stages</b>	<b>Aida Model</b>	<b>Hierarchy of Effects Model</b>	<b>Innovation Adoption Model</b>	<b>Communication Model</b>
<b>Cognitive Stage</b>	Attention ↓	Awareness ↓ Knowledge ↓	Awareness ↓	Exposure ↓ Reception ↓ Cognitive ↓ Response ↓
<b>Affective Stage</b>	Interest ↓ Desire ↓	Liking ↓ Preference ↓ Conviction	Interest ↓ Evaluation ↓	Attitude ↓ Intention ↓
<b>Behavior Stage</b>	Action	Purchase	Trial ↓ Adoption	Behavior

**Response Hierarchy Models.**

This sequence is the “learn-feel-do” sequence and is appropriate when the audience has high involvement with a product category perceived to have high differentiation, as is the case in purchasing an automobile.

An alternative sequence is the “do-feel-learn” sequence, when the audience has high involvement but perceives little or no differentiation within the product category, as in purchasing iron rods.

Still a third sequence is the “learn-do-feel” sequence, when the audience has low involvement and perceives little differentiation within the product category; as is the case in purchasing salt.

\* **Designing the Message**

Having defined the desired audience response, the communicator moves to developing an effective message. Ideally, the message should gain attention, hold interest, arouse desire, and elicit action (AIDA model).

Formulating the message will require solving four problems: what to say (message content), how to say it logically (message structure), how to say it symbolically (message format), and who should say it (message source)

## \* Selecting the Communication Channels:

### a) Personal Communication Channels:

- Personal communication channels involve two or more persons communicating directly with each other. They might communicate face to face, person to audience, over the telephone, or through the mail.
- Personal communication channels derive their effectiveness through the opportunities for individualizing the presentation and feedback.
- Expert channels consist of independent experts making statements to target buyers. Social channels consist of neighbors, friends, family members, and associates talking to target buyers.
- Many companies are becoming acutely aware of the power of the “talk factor” or “word-of-mouth” coming from expert and social channels in generating new business. They are seeking ways to stimulate these .

### b) Non Personal Communication Channels:

- Non personal communication channels carry messages without personal contact or interaction. They include media, atmospheres, and events.
- Media consist of print media (newspapers, magazines, direct mail), broadcast media (radio, television), electronic media (audiotape, videotape, videodisc), and display media (billboards, signs, posters). Most non personal messages come through paid media.
- Events are occurrences designed to communicate particular messages to target audiences. Public relations departments arrange news conferences, grand openings, and sport sponsorships to achieve specific communication effects with a target audience

## \* Establishing the total promotion Budget:

One of the most difficult marketing decisions facing companies is how much to spend on promotion. Thus it is not surprising that industries and companies vary considerably in how much they spend on promotion. Many companies set the promotion budget at what they think the company can afford. One executive explained this method as follows: “why it’s simple”.

This method of setting budgets completely ignores the role of promotion as an investment and the immediate impact of production on sales volume.

## \* Promotion Mix

Demand of goods is to be created to sell the goods produced in the market be created. It is a continuous process throughout the product life cycle. At introduction level utmost efforts are made to make a product recognized by the customers.

The demand once created, would have to be maintained and increased. Efforts for demand creation continue even in the declining stage. Personal selling is direct or personal method of selling the product through salesmen or retailer. Advertising and sales promotion are impersonal methods of promoting the sales

## \* Measuring Promotion’s Results

This involves asking the target audience whether they recognize or recall the message, how many times they saw it, what points they recall, how they felt about the message, and their previous and current attitudes

towards the product and company. The communicator would also want to collect behavioral measures of audience response, such as how many people bought the product, liked it, and talked to others about it.

### \* Total Marketing Communication

Management combines the four controllable into marketing strategy market, distribution promotion and price strategies.

It involves: - establishing and maintaining communications with target markets and interview middlemen, through various marketing communications media-advertising, personal selling, point of purchase materials, packing and other media like samples and coupons.

## Retail Promotion Mix advertisement

### Evolution of Advertising

#### The Beginning:

Romans practiced advertising. The potentiality of advertising multiplied when the hand press was invented at the end of the 15th century. By Shakespeare's time the posters had made their appearance. Thus gradually advertising assumed the function of fostering demand for exciting products.

#### Mass Advertising

It was in the latter half of the 19th century that mass advertising came into being. As mass production became a reality channels of distribution had to be developed to cope with the physical movement of goods creating a need for mass communication to inform customers of the choice available to them. This development was accelerated by increased literacy.

#### Advertising in India

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

#### Definition:

American Marketing Association defines,

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

Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy.” – Wheeler.

#### Elements of Advertising:

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

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

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

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

**5. Identifiable with the sponsor:** Advertisements are identifiable with their sponsor or originator. The producer or the dealer sponsors the advertisement campaign by employing a suitable media.

### Objectives of Advertising:

#### 1. To Create Demand: -

Advertisement is used for introducing a new product in the market. New product needs introduction as potential customers have never used such product earlier. The advertisement prepares a ground for the new product.

#### 2. To Face the Competition:-

In modern days advertising is undertaken not only to inform the people about a product, but also to maintain and increase the demand of the product by weaning people away from rival products in the market. Under competitive conditions, advertisement helps to build up brand image and brand loyalty.

#### 3. To Inform the Changes to the Customers: -

Large-scale advertising is often undertaken with the objective of creating or enhancing the goodwill of the advertising company. This increases the market receptiveness of the company's product. It helps the salesman to win customers easily.

#### 4. To create or Enhance Goodwill: -

The advertisement is made with the purpose of informing about the change to the consuming public. Whenever changes are made in the prices, channels of distribution or in the product by way of any improvement in quality, size, weight, brand, packing, etc.,

#### 5. To Bar New Entrants: -

Through long advertising a strongly built image helps to keep new entrants away. The advertisement builds up a certain monopoly for the product. The entrants find it difficult to enter. Whenever a new entrant plans for an investment in that field, he considers the existing market conditions.

#### 6. Link between Producer and Consumer: -

To conclude, advertising aims at benefiting the producer, educating the consumer and supplementing the salesman. Above all it is a link between the products and the consumer.

### Functions of Advertising

#### (A) Primary Functions

**1. Increase in Sales:** - Advertisement increases sales of the product by securing greater consumption, attracting new buyers or introducing new uses for a commodity.

**2. Boost stocking:** - Persuasion of dealers to stock the goods is one of the functions of advertisement.

**3. Help in Sales:** - Advertisement helps the dealers (wholesalers and retailers) to sell the advertised product.

- 4. **Insurance:** - Advertisement creates insurance for the manufacturers' business.
- 5. **Diminishing Fluctuations:** - Advertisement helps to eliminate or lessen seasonal fluctuations.
- 6. **Brand Image and Brand Loyalty:** - Advertisement creates brand image and brand loyalty.

### (B) Secondary Functions

- 1. **Encouraging Salesman:** - Advertisement encourages the salesman and lends them moral support in facing a difficult customer.
- 2. **Information:** - Necessary information's are furnished to salesman, dealers and customers about the product. The printed word is manufacturer's guarantee.
- 3. **Public Response:** - Advertisement creates a feeling among executives and administrative staff that they are working in a company having public response
- 4. **Sense of Security:** - The workers of a company of well advertised goods feel themselves secure. It means steady work and consequent prosperity. Their jobs are permanent and are likely to be promoted.
- 5. **Better Employees:** - Advertisement helps the company to secure better employees-executives, salesmen and workers.

### Advantages to the Retailers:

The following are some of the benefits of advertising available to the retailers:

- 1. **Increase the turnover:** Advertising quickness the turnover of the retailer. Quick turnover, in its turn reduces the risk of dead stock and brings down the proportionate expenses in overhead charges.
- 2. **Publicity:** Advertising not only offers publicity to the product but also to the retailers. In fact, the retailer, most of the times, is known to public only through the manufacture's advertising. In many cases, the producers also advertise the names of the retailers.
- 3. **Minimum efforts in pushing the products:** Since advertising creates new wants, the retailer need not take many efforts to push up the sales of the product. But advertising goes out on his behalf and attract more customers towards his shop.
- 4. **Risk of price wars:** Advertising enables the producer to control both wholesale and retail prices. Therefore, the retailers need not afraid of unfair competition and price wars.
- 5. **Strengthening of goodwill:** The reputation created to the product is also shared by the retailer who deals in it. Well-advertised product adds prestige to the retailers and he incurs no additional expenditure for this.

### Advantages to the Consumers

- 1. **Quality of the product:** Generally, well advertised goods are better in quality. If the goods are not up to the quality the consumers shall switch over to some other product. Therefore, the manufacturer is compelled to maintain the quality of the product advertised.
- 2. **Selection of Products:** The existence of different varieties of products, their prices, and their peculiar qualities are made known to the consumers only through advertising. The consumer can select the product best suited to his tastes, requirements and his purse.

**3. Information service:** Advertising also acts as an information service and helps him in intelligent buying. The consumer can exactly know where the product is available and at what price. The consumer, therefore, can make an intelligent buying without taking any extra efforts.

**4. Fair prices:** Modern advertising stabilizes the price of the products. In majority of the cases, the retail prices are also advertised so as to make the buyer aware of the prices. Thus, exploitation of consumers by the retailers is considerably avoided.

**5. Mail order business:** Advertising also makes it possible to sell direct to the consumers by mail order business. Therefore, the consumers in the rural areas and interior parts of the country can also enjoy the comforts and luxuries available only in cities..

### Advantages to the Society

**1. Educative value:** Advertising has educative value. It educates the public and enables them to make an intelligent buying. It also makes it possible for enjoyment of new amenities and comfort goods.

**2. Stimulation of investment:** Mass advertising always leads to mass scale production and distribution. Consequently business firms tend to grow. In the modern days, most of the undertakings are organized in the form of joint stock companies so as to mobilize the savings of the public and thereby carry on large scale production.

**3. Employment opportunities:** It is already stated that advertising creates mass demand and leads to large scale production. Large scale production, in its turn creates more employment opportunities. It also assures employment opportunities for professional artists.

### Characteristics of Good Advertisement

- **Attention Value**

An Advertisement copy must attract the attention of the potential consumers. The copy should be drafted, planned and displayed so ingeniously that it may compel even the most casual reader to notice it and read it with interest.

(i) Use of pictures, photographs or sketches to reveal a great deal about the product.

(ii) Use of display types, appropriate heading in attracting types;

(iii) Attractive borders etc., can also be used to separate an advertisement copy from the rest of the setting and to compel the reader to focus his attention on it:

a) Price quotation being advertised is quite low; the display should be at an appropriate place in the copy.

b) Reply coupons may be inserted in an advertisement to attract the attention of the readers

- **Suggestive Value**

The next quality of an advertisement should be to offer suggestion about the use and the utility of the product. This can be done if crisp and pointed but simple slogans and suggestions are devised to bring home to the reader the utility of the product in everyday situation.

- **Memorizing Value**

The copy of advertisement should be so drafted and laid out that the product sticks to the memory of the individual reader. Repetition of advertisement is an effective method of creating memorizing value for the copy

- **Conviction Value**

An advertisement copy is proven effective when the suggestion contained in it is backed by convincing arguments. The outstanding feature of the product an ideal copy should make an appeal to reason so that the consumer acting on the advertisements may go in for it with confidence and firm belief in its utility and superiority over competitive products.

- **Sentimental Value**

Sentiments reflecting the personal feelings and attitudes of individuals towards various things indicate reactions of a person in favour or against a particular product. The advertiser should make a sincere attempt to make an appeal to the sentiments of as many buyers as possible..

- **Educational Value**

A Good copy of advertisements educates the general public about the uses of the new products or the new uses of the same product. It increases the demand of the product. It creates new habits among people by offering new tempting products to them. It helps creating new markets.

- **Instinctive Appeal Value**

Instincts are the main springs of human thoughts and actions. Instincts are the underlying forces which compel the men to act in certain ways. A good copy of advertisement must induce, persuade and motivate the people to think well of a product and to take to its use.

## **Objections to Advertisement:**

### **1) Economic Objections against Advertising**

- **Advertising creates monopolistic tendencies:**

It is argued that skillful and forceful advertising tends to create semi-monopolies particularly for branded goods. Monopoly is not possible in a competitive market. Very often many small advertisers compete successfully against the bigger traders.

- **Advertising is unproductive:**

It is often argued that advertising is unproductive since it does not produce any tangible products. This argument is also worthless. All productive work need not result in tangible goods. Effective advertisement creates demand for the product and thereby stimulates production.

- **Advertising compels the consumers to buy:**

Some people argue that advertising takes advantage of the emotion of the consumers and compels them to buy things which they cannot afford or things which are beyond their buying capacity. In reality, it educates the consumers and helps them to make an intelligent buying

- **Advertising leads to higher cost of goods:**

Product generously spends huge money on advertising. This ultimately increases the cost of goods and the consumer has to bear the burden of huge expenditure. Advertisements correspondingly increase the sales



which ultimately lead to an increase in the production. Increased production lowers the unit cost and so the consumers are not, in fact, exploited.

- **Advertising just takes business from one concern and gives it to another:**

Advertising helps to shift the demand from one product in favor of another. Thus, it generates no new demand for a product. The critics who make this allegation assume that the purchasing power of the community is static.

- **Advertising is unnecessary:**

Certain goods need no advertising. This argument shall hold good only in case of basic necessities or good which have no substitutes. But in case of other products which have many substitutes advertising is a must. Thus, advertising is necessary and is not a waste.

## 2) Social Objections Against Advertising

- **Advertising is an exaggeration of facts:**

Most of the advertisements are misleading and untrue. They contain all claims and exaggeration of facts. Such exaggerated advertising amounts to swindling. So critics say that advertising has the effect of deceiving the society. It is no doubt that advertisement is often used by dishonest persons to sell worthless products. The advertiser in the long run cannot enjoy the benefits of advertising by merely misrepresenting the facts about the product.

- **Advertising influences the press**

Advertising, although make newspaper cheaper, it enables advertiser to influence the press so that the news may be so drafted to please the advertisers. Thus, freedom of press is adversely affected by influenced advertisers. It is true that advertising constitutes a major source of revenue for the very existence of the newspapers. In reality the press is able to maintain its freedom only because of advertising.

- **Advertising contains emotions:**

It is true that the reader or the listeners are induced by highly emotionalized appeals. But emotions and illusions are necessities for life. Emotions and illusions constitute a part of motivation that stimulates enjoyment. Thus, advertising has no demoralizing effect under all circumstances

## 3) Ethical Objections Against Advertising

**The following are some of the criticisms leveled on ethical grounds:-**

1. Some of the advertisements are offensive to public decency. They are vulgar, silly and full of sexual appeals.
2. Some advertisements induce the readers to use or consumer goods which are injurious their health.
3. Advertising causes people to want things which they cannot afford. This makes a section of the community to remain discontented.

## Advertising Media:

Definition of Brennan: Mr. Brennan in his book, “Advertising Media” writes as follows: “The term media embraces each and every method, the advertiser has at his command to carry his message to the public”

### Factors Governing the Selection of the Media

#### 1. Class of the audience:

The advertiser must note the class of the audience to be influenced by the medium. The audience can be classified into different groups by their social status, age, income, educational standard, religion, cultural interests.

#### 2. Extent of coverage:

The advertiser must consider the number of audience to be covered by the medium. Every media has a general as well as an effective circulation. The effective circulation is the number prospective customers who read it and the number of those who influences sales, though they may not buy for themselves.

#### 3. Nature of the product:

Nature of the product itself is a principal factor governing the selection of the medium. Products can be classified into various kinds – consumer’s products and manufacturer’s products etc.

#### 4. Nature of the competition:

The nature of the competition exerts greater influence of the selection of the media. If the competition is stiff utmost care is needed in the selection of medium and a larger advertising budget is also required.

#### 5. Reputation of the medium:

Newspapers and magazines can offer a beautiful illustration for the reputation of the media. There are a few newspapers and magazines which have international reputation with a high readership. Advertisements in such magazines and newspapers are generally recognized and believed as true.

#### 6. Cost of the media:

Cost of the medium in most cases, is an important factor in the selection of the medium. The rates also differ depending upon the space occupied and the preferential positions.

#### 7. Time and location of buying decisions:

The location of the audience and the time by which it should reach them must also be looked into. This consideration also enables the advertiser to keep his retail outlets in the proximity of the customers

### Types of Media

Direct Media – Direct method of advertising refers to such methods used by the advertiser with which he could establish a direct contact with the prospective consumers. Direct mail is an example of this.

Indirect Media – Indirect method involves the use of a hired agency for spreading the information. E.g. press publicity, cinema, etc, are indirect in nature.

(a) Press Advertising	(b) Outdoor Or Mural Advertising	(c) Direct Mail Advertising	(d) Miscellaneous Advertising
1. Newspapers	1. Posters	1. Circular	1. Radio and Television
2. Magazines and Journals	2. Boards	2. Business Reply Envelopes and cards	2. Cinema and Cinema slides
	3. Electric Display	3. Price lists	3. Fairs and exhibitions
	4. Sandwich Board advertising	4. Catalogue	4. Loud speakers
	5. Bus, trams and train advertising	5. Leaflets and Folders	5. Demonstration
	6. Sky advertising	6. Booklets	6. Posts and Telegraphs Dept.
	7. Others	7. Novelty	
	8. Personal letters		
	9. Others		

## Commonly Used Media

### 1) Print media-

This is the most popular method of advertising today. Newspapers and magazines have become a part of the cultural and political life of the people.

Print media takes two forms: Newspapers and magazines.

**(a) News Papers** – Newspapers are read largely for their news value because they are most appropriate for announcing new products and new development of existing products. Because of their frequency of publication, they are well suited to Opportunity market.

#### Kinds of Press Advertisements:

**Classified Advertisements** – These are advertisements having common themes such as matrimonial, situations wanted, to let, for sale, etc., these are given under group headings. They are quite cheap.

**General Advertisements** – These are usual advertisements, which are published in different places creating some kind of identity.

**Teaser Advertisements** – This is comparatively a new form of advertising. A series of advertisements without any sales message are published over a number of days in the same place in a newspaper. This creates an interest among readers to follow the series until the last advertisement appears.

**News type Advertisements** – From the outward appearance this would simply look like a news item. The word ‘advertisement’ is added at the end of the news to denote the purpose. Most of the speeches of the Chairmen of companies are given on this basis.

**(b) Magazines** – Magazines and journals also offer good facility because magazines are read leisurely when the reader is mentally prepared to receive advertisements. Magazines can give a detailed explanation of the messages because of their longer shelf life as well as their glossy paper which increase the visual effect

## **Kinds of Magazines:**

**General Magazines** – In these magazines, the content is meant for general appeal. e.g. India Today, the Week etc.

**Specialized Magazines** – These cater to a readership with clearly defined specific interest. For example. Capital Market, Business India for business people, Famine for women etc.,

**Special Issues such as Annuals** – Directories are special types of publications which may or may not have wide coverage of varied interests, e.g. telephone directories.

### **2) Characteristics of Direct Mail:**

Direct – The message is directly addressed to the prospective customers.

Flexible - The message could be changed to suit different conditions.

Economical - Advertising could be termed according to the wishes of the advertiser. It is economical.

Personal Contact -The greatest advantage of this method is its capacity to create and maintain personal contact

### **3) Mailing List:**

The foremost job in such a kind of advertising is the preparation of a mailing list, which should include only those who are able and like to respond to the advertisement

#### **Sources of Mailing List**

- (i) Present and past customers
- (ii) Salesmen.
- (iii) Directories such as telephone directory, voters list, etc.,
- (iv) Government records such as income tax list, birth registration.
- (v) Records of membership kept by civil and social organizations.

## Advertising Agency:

An advertising agency can be briefly defined as an organization formed for rendering services to advertisers such as preparing the layout for advertisements getting the block made for layouts, getting the advertisements made through suitable media, undertaking the market research etc.

### Definition of Cundiff and Still

“An advertising agency is a group of experts on various phases of advertising and related marketing problems. In its operations, it resembles other organizations providing expert assistance on specialized business problems”.

### Meaning:

An Advertising agency is an organization whose business consists in the acquisition of the right to use space of time in advertising media and the administration of behalf of the advertisers of advertising appropriations made by them. It renders advice and creative services for its clients. It does not sell any tangible products, but sells creative talents and past experience.

### Need for an Advertising Agency:

- 1. Reduction in the cost of advertising:** The remuneration paid to the agency which is about 15% of the cost of producing and executing the advertisement may appear to increase the total cost of advertisement. If a firm itself undertakes the advertising job it has to maintain specialized staff. Besides, considerable effort and time should be spared.
- 2. Provision of expert services:** An advertising agency can appoint expert artists, copy writers and others competent for the job. For it advertising is a routine job and so, it can afford to pay for it.
- 3. Selection of a suitable media:** Very often the advertisers are not a position to form a rational judgment in the selection of a suitable media. The advertising agent can help the advertiser in the selection of the best media. Proper selection of the media adds effectiveness to the advertising campaign.
- 4. Advertisement in the appropriate time:** Advertising agents usually make contracts with the media owners for the use of space or time required on a long term basis. So that enough space or time is at their disposal and they can publish the advertisement readily whenever wanted.
- 5. Provision of other services:** Modern advertising agencies offer different types of services such as window dressing, market research, sales promotion etc. These take a good amount of time if the advertiser himself does them through his own organization.

Creative Departments		Media Production		Marketing services Department		Production Department		Administrative Department.	
Art	Films			Market	Copy			Public	
Copy				Research	testing			relations	
				Product	Audience				
				testing	research				
Press	Radio	Television	Out door Advertising	Merchandising		Films	Posters	Notices	Direct mail
			Cinema						

Advertising Agency Services

### **Selection of Advertising Agency:**

- (i) Financial soundness
- (ii) General reputation.
- (iii) Facilities and abilities available.
- (iv) Size and abilities available
- (v) Size and adequacy of the staff
- (vi) Basis of remuneration
- (vii) Relationship they maintain with advertiser.
- (viii) Products advertised.
- (ix) Availability
- (x) Relation with media – owners.

### **Services of an Advertising Agency:**

1. It makes the advertisements pleasant and serves the purpose.
2. It can get the advertisements published at the appropriate times.
3. It can help the advertiser in the preparation of the advertising budget.
4. It can free the advertiser from botheration of contacting the media owners of all types as and when necessary.
5. It can do market research for the advertiser at a lesser cost.
6. It can also help the advertiser in designing the trade mark, packages and labels and wrappers for the goods to be sold. It can do all types of jobs connected with the printing work.
7. It can do sales promotion work.
8. It can design window displays and arrange for a systematic change in the arrangement of the things in the windows from time to time.

### **Advantages of the Advertising Agency**

- 1. For small advertisers** – It is more profitable to use services of an agency than to keep a separate publicity department.
- 2. Expert Advice** – Being a specialized agency it could offer expert advice.
- 3. Obtaining space on easy terms** – Because of the close association with media owners it can obtain space at competitive rates.
- 4. Employment** – An advertising agency provides employment opportunities to artists and similar skilled people

## Retail Promotion Mix Sales Promotion, Personal Selling and Publicity:

### Advertising

Presentation and promotion of ideas, goods, or services by an identified sponsor Personal Selling A process of helping and persuading one or more prospects to purchase a good or service or to act on any idea through the use of an oral presentation

### Sales Promotion

Media and non-media marketing communication are employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Examples: Coupons, sweepstakes, contests, product samples, rebates, tie-ins, self-liquidating premiums, etc.

### Public Relations and Publicity

Paid intimate stimulation of supply for a product, service, or business unit by planting significant news about it or a favorable presentation of it in the media

### Direct Marketing

Direct Marketing is a channel-agnostic form of advertising that allows businesses and nonprofits to communicate straight to the customer, with advertising techniques such as mobile messaging, email, interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising

### Corporate Image

Corporate image may also be considered as the sixth aspect of promotion mix. The Image of an organization is a crucial point in marketing.

The terms- Promotion, Sales Promotion and Selling

Selling is a narrow term and includes personal and impersonal processes of assisting or persuading a prospective customer to buy a commodity or service whereas promotion is in inclusive term representing the broad field of advertising, personal selling and sales promotion.

### Importance of Promotional Activities

- 1. Sale of the goods in Imperfect markets** –In the imperfect market conditions, the product cannot be sold easily only on the basis of price differentiation. It is the promotional activity that provides information about the differences, characteristics and the multiuse of the products of various competitors in the market.
- 2. Facing Intense Competition** – The present intense competition necessitated the sales promotion activities. When a manufacturer increases his promotional spending and adapts aggressive strategy in creating a brand image, others are also forced to follow the suit.
- 3. Large Scale Selling** – Sales promotion is the result of large scale production. It can be achieved only appropriate methods of large scale selling. Large scale selling is possible with the help of promotional activities.
- 4. Higher Standard of Living** – Thus promotional activities increase the standard of living by providing the better goods at a lower rate due to large scale production and selling.
- 5. More Employment** – As the promotional activities cannot be performed without the help of an effective sales force and the specialists in the field, employment opportunities are opened for a large number of people.

**6. Increased Trade Pressures** – The growth of large scale retailer, such as super markets, chain stores, etc., has brought greater pressure on manufacturers for support and allowance. In order to aid the retailers and also to ensure their share of shelf space many manufacturers have taken to sales promotion activities.

**7. Effective Sales Support** – Sales promotion policies supplement the efforts of personal and impersonal salesmanship. Promotion reduces his time spent in prospecting and reduces the turndowns.

**8. Increased Speed of Product Acceptance** – Most of the sales promotion devices such as contests, premium coupons, etc. can be used faster than the other promotion methods such as advertisement.

### **Kinds of Promotion:**

**Informative promotion:** All promotions, essentially, are designed to inform the target market about the firm's offerings, Informative promotion is more prevalent during early stages of product life cycle. It is a necessary ingredient for creating primary demand.

**Persuasive Promotion:** The basic purpose of promotion is to persuade people to buy. But many do not accept this goal, as it would involve high-pressure selling but essence of all promotion is persuasion. It is designed to stimulate purchase and to create a positive image in order to influence long-term buyer behavior.

**Reminder Promotion:** This goal is adopted when the product reaches maturity stage. Insisting and emphasizing brand names and product features in competitive terms is the central aim of reminder promotion.



## Sales Promotion:

### Meaning and Definition of Sales Promotion

Definition of Philip Kotler “Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication”

### Definition of the American Marketing Association

The Definition Committee defines the terms Sales Promotion as

“those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as displays, shows and expositions, demonstration and various non-recurrent selling efforts not in the ordinary routine.”

### Objectives of Sales Promotion:

To increase sales directly by publicity through the media which are complementary to press and poster advertising

2. To disseminate information through salesmen, dealers etc., so as to ensure the product getting into satisfactory use by the ultimate consumers.
3. To enable the salesmen to achieve more sales in their territory in preference to another.
4. To ensure the co-operation of the retailers to sell one brand in preference to another.
5. To face the competition from other effectively.
6. To check seasonal decline in the volume of sales

### Limitations of Sales Promotion

1. There is a feeling that such seasonal sales promotional activities are mainly intended to sell and inadequate product.
2. The discounts allowed to the dealers are not real because the prices are already inflated.
3. The life of the measures is very short. As soon as these concessions are withdrawn the demand shall also reduce

<b>Consumer Promotions</b>	<b>Trade Promotions</b>	<b>Sales Force Promotion</b>
1. Sampling	1. Buying allowance or discount	1. Bonus
2. Coupons	2. Buy back allowance	2. Contest
3. Premiums or bonus	3. Free goods	3. Sales meetings conference etc
4. Money Refund offer	4. Display and advertising allowance	
5. Price off offer	5. Dealer listed promotion	
6. Contest or sweepstakes	6. Push Money or PM's	
7. Bonus Stamps	7. Sales Contest	
8. Demonstrations		

**Tools or Devices of Sales Promotion**

## Causes for the increase in the Sales Promotion Activities:

### 1) Internal Causes

**1. Promotion has become more acceptable:** There was a time when most of the managements were of the view that sales promotion has cheapened their brand. They also felt that it was only a short term stimulus. With professionalism in the recent years, business undertakings show increased willingness to adopt sales promotion as an accepted marketing activity.

**2. Appointment of qualified executives:** As a result of managerial specialization, leading companies have created new staff position and appointed more executives with specialized qualifications. They began to recognize the importance of the sales promotion manager in handling sales promotional tools.

**3. Expectation of quick returns:** Since promotional programmes are launched to obtain quicker results, there is a wide spread adoption of the technique everywhere. Moreover, these promotions also play a valuable role in enlisting the support from an over loaded sales force.

### 2) External Forces

**1. Proliferation of brands:** The wide spread use of branding as a technique of identifying one's product from that of the competitors has lead to the proliferation or multiplication or growth of brands. Brands become less distinctive and opportunities to advertise the product features effectively are also reduced.

**2. Increased trade pressures:** The growth of super markets, chain stores and other large scale retailing institutions has brought greater pressure on the manufacturers for support and allowances. So in order to aid the retailers and also ensure their share of margin, manufactures have to undertake sales promotional activities.

**3. Promotion minded competitors:** When one manufacturer increases his promotional spending and adopts aggressive strategy in creating a brand image, other are also forced to follow suit. This leads to virtually a promotion war.

**4. Troublesome economic conditions:** During periods of recession, consumers are more responsive to promotional techniques such as rebates, bonus offer etc., and so sales promotion techniques are adopted in a wide spread manner to reduce their inventory and improve liquidity

## Types of Sales Promotion Programmes:

### I. Consumer Promotion

#### a. Sampling:

This involves distribution of free samples. Sampling is an expensive but a powerful tool. Samples are offers of a free amount or trail of a product to the consumers. The sample may be delivered door to door, offered in a retail store, sent by mail, distributed at fairs or other places where public assemble, attached to another product or featured in an advertising offer..

#### b. Coupon:

A coupon is a certificate that entitles the consumer to a specified saving on the purchase of a specified product. These coupons are generally issued by the manufacturers either directly by mail or through the retailers. The retailers are reimbursed by the manufacturer for the value of the coupons redeemed and also paid a small percentage to cover the handling costs.

#### c. Premium or bonus offer:

Premiums are actual products or services offered as an incentive to buy other products or services. It is generally offered to buyers who buy a specified amount of a product or a special pack thereof. Premium

promotions are very popular now-a-days due to the acute competition, consumers brand preference and also the recession and credit squeeze.

- \* **Direct premium:** Direct premium is also known as in on or near packages. It is included either inside or outside the package
- \* **Re-usable container:** A reusable container is a container that has value to the consumer after the product is consumed such as detergent powders in plastic buckets.
- \* **Free in mail premium:** A free in the mail premium is an item that the company will mail to consumers who make a request for it enclosing a proof of purchase
- \* **Self liquidating premium:** A self liquidating premium is an item that the company will sell by mail at price well below the normal or the original price to consumers

**d. Money refund offers:**

This offer is usually stated in media advertising that the manufacturer will return within a stated period the whole of the purchase price if he is not completely satisfied e.g., Bull worker Exerciser is promoted in this way

**e. Price off promotion:**

This involves an offer to consumers of a certain amount of money off the regular price of a product prominently printed on the label or package. Special introductory offers of new brands can make this way

There are three types of this kind of promotion viz., 1) a reduced price pack 2) a multiple pack and 3) a bounded back

**f. Contests, sweepstakes and games:**

Contests, sweepstakes, games have also seem a great upsurge in popularity in recent years because they provide excitement for the product or the service being promoted. A contest calls for consumers to submit an entry, an estimate, a suggestion or a slogan be examined by a panel of judges who will select the best entries. A sweepstake involves nearly the inclusion of the consumer's name or his bill number in a drawing of price

**g. Demonstration:**

A new brand is promoted by this way. The demonstrations are staged at exhibitions and fairs, temple, festivals or even on a door-to-door basis. These are particularly employed for promoting cosmetics, household appliances, and new beverages.

## **II. Trade Promotions**

**a. Buying allowance:**

The buying allowance is offered to the dealers to induce them to buy a new product introduced by the manufacturer. This allowance is usually deducted from the face value of the invoice

**b. Buy back allowance:**

This method of promotion is practiced to prevent post deal sales decline. Under this method the manufacturer offers a certain amount of money for additional few purchases based on the quantity of purchase made on the first trade deal.

**c. Free goods:**

This is also a buying allowance but in the form of goods. An offer is made of a certain amount of a product of wholesalers and retailers at no cost to them on every purchase at a stated amount of the same or another product

**d. Merchandise allowances:**

They are short-term in character and given to compensate the dealers of the promotional expenses incurred by them. These include advertising allowance, display allowance etc. The allowance is given upon the proof of performance.

**e. Co-operative advertising:**

Under this method, the producer agrees to pay an advertising allowance to the retailers for each unit of product purchased or a contract for a specified period

**f. Dealer listed promotion:**

Here the advertisements or other publicity materials like calendars, issued by the manufacture also contains the name and addresses of the retailers who stock the produce or who are operating in the promotion.

**III. Sales Force Promotion**

**a. Bonus to sales force:**

A quota is set for a specified period. Bonus is offered on sales in excess of the quota fixed by the sales manager in consultation with the salesmen

**b. Sales force contests:**

Sales force contests are announced to stimulate company salesman to double their selling interests and efforts over a stated period, with prizes going to the top performers

**c. Sales meeting:**

Sales meetings, salesmen conventions and conferences etc., are those conducted for the purpose of educating, inspiring and rewarding the salesman.

**Advantages of Sales Promotion:**

- 1. Large scale production:** Sales promotion measures generally aims at demand creation for the company's product. Enhanced volume of sales results in large scale production which ultimately lowers the unit cost.
- 2. Effective sales support:** Sales promotion policies supplement the efforts of personal selling and advertising. These measures make the efforts of the salesman more productive. They minimize the work to be done by the salesmen, avoid wastage in time and efforts.
- 3. Quick returns:** Sales promotion devices bring quick results than any other methods like personal selling and advertising. In fact, the impact of sales promotion can be felt more quickly than advertising.
- 4. Effective Control:** The management can exercise effective control over the methods used in the sales promotion programmes. This ensures lower promotional costs and quick and better returns.

## **Personal Selling:**

The sales personnel serve as the link between the company and the customer. The sales representative is the company to many customers. He is the person who enters into contacts with the customer and also brings much needed information about the clients

### **Nature of Personal Selling**

- The greatest freedom to adjust a message to satisfy customers informational needs, dynamic.
- Most precision, enabling marketers to focus on most promising leads. vs. advertising, publicity and sales promotion
- Give more information
- Two way flow of information, interactivity.
- Discover the strengths and weaknesses of new products and pass this information on to the marketing department.
- Highest cost Businesses spend more on personal selling than on any other form of promotional mix.

### **Types of Sales Persons:**

- Inside Order Takers receive orders by mail/phone, sales person in a retail store
- Field Order Takers travel to customers. Use laptop computers to improve tracking of inventory and orders etc.

### **Facilitate the selling function. (Primarily business to business products)**

#### **Missionary Salespeople:**

Distribute information regarding new goods or services, describes attributes and leaves materials, does not close sales. Assist producers' customers in selling to their own customers. IE call on retailers and persuade them to carry the product.

#### **Trade Salespeople:**

Spend much time helping customers, especially retail stores, to promote the product. Restock the shelves, set up displays.

#### **Service Salespeople:**

Interacts with customers after sale is complete

#### **Team selling:**

Entire team of selling professionals in selling to and servicing major customers, especially when specialized knowledge is needed to satisfy different interests in customers' buying centers

## **Public Relationship and Publicity:**

### **The major functions of PR department are:**

1. Press relations – presenting information about the organization in positive light.
2. Product publicity – sponsoring effort to publicize specific products
3. Corporate communication – promoting the organization through external and internal communication.
4. Lobbying – dealing with governmental officials in litigations / regulations.
5. Counseling – advising the management about public issues.

### **Major Decisions in PR:**

#### **The major decisions involved in it are as follows:**

1. establishing the marketing objectives – Build public awareness, build credibility, stimulate sales force, etc.
2. Choosing the message and the vehicle – news paper, event creation, hoardings, etc.
3. Implementing the plan – placing the stories carefully in the media.
4. Evaluating the results – difficult to measure the effectiveness as they are used along with other promotional tools. The three most commonly used measures are building awareness, helping comprehension and changing attitude

### **In-Store Customer Service:**

To improve the in-store shopping experience, here are two basic yet powerful ideas retailers can implement easily:

- **Feed Your Employees**

This applies both physically and emotionally. During the holidays, it's not just longer hours that can cause issues with employees; they also have to deal with more and crabbier people. There are all sorts of stress factors weighing on employees during this time of the year. If I was a store manager, the first thing I would do is take care of my people. This could be as simple as offering food and drinks at the place of business so employees are hydrated, energized and feel valued.

- **Compliment Your Employees**

Be sure to catch your employees doing the right things, especially during busy days. After all, you can't go wrong in showing your employees that you appreciate their hard work. It is also important to note that managers can't just train sales persons just the day before busy day and be successful; they must start training early so employees are empowered to solve problems of all types.

In terms of customer experience, managers also can incorporate enjoyable, in-store events and giveaways that create engaging, memorable experiences, such as hosting customer VIP holiday parties, giving out candy and mini prizes, etc.

## Retail Selling Process

### Meaning and Definition of Retail Selling:

White Head:

“Personal selling is an art of presenting an offering that the prospect appreciates the need for it and that a mutually satisfactory sale follows”

Philip Kotler:

“Personal selling involves oral presentation in a conversation with one or more prospective purchases for the purpose of making sales”

### Qualities of personal selling:

#### 1. Personal confrontation:

Two or more persons come into contact into active relation and each party is able to observe at close quarters, the characteristics and need of the other and make immediate adjustments and thereby make the encounter successful.

#### 2. Cultivation:

Personal selling may lead to all kinds of relationships ranging from a matter of fact selling relationship to a deep personal friendship.

#### 3. Response:

Personal selling usually makes the prospect to feel a sort of peculiar obligation for having listened to the sales talk

### Objectives of Personal Selling

#### 1) Qualitative Objectives

1. To do the entire selling job.
2. To serve the existing customers in such a way to maintain communication with the present customers, take orders etc.
3. To search out and obtain new customers.
4. To secure and maintain customer's co-operation in stocking and promoting the product line.
5. To keep the customers informed about the changes in the product line and other aspects of marketing strategy.
6. To assist the dealers in selling the product.
7. To provide technical advice and assistance to customers as in the case of complicated products and custom designed products.
8. to assist with or handle the training of middlemen
9. To provide advice and assistance to the middlemen on various management problems.
10. To collect and report market information of interest and use to the company management.

## 2) Quantitative Objectives

1. To obtain a specified sales volume.
2. To obtain sales volume in such a way that contributes to profit objectives.
3. To keep personal selling expenses within the specified limits.
4. To secure and retain a specified share of the market. Thus, personal selling is a broader concept and covers a wide variety of activities

### Factors to be considered while Taking Decision as to Retail Selling;

1. Number of potential buyers: Retail selling is suitable when the number of potential buyers for a product or service is large.
2. Concentration of Potential buyers: Retail selling is much easier if the number of buyers is highly concentrated in one geographical area rather than dispersed over a wide area.
3. Size of the quantity purchased: The average size of the quantity purchased is another important factor in determining the economic feasibility of retail selling. For small quantity as well as large quantity is possible in this.
4. Need for demonstration: Where it is necessary to convince the potential buyers of product's merit, retail selling is almost compulsory.
5. Recognition of the need: The need for retail selling arises only when the prospects recognize the need for the article as it is exhibited in the show case.
6. Need for Service: In some cases, considerable work must be done with consumer before selling a product and certain items are frequently after sales. If such is the situation retail servicing (selling) is necessary.

### Essentials of Retail Salesmanship

1. The main aim of salesmanship is establishing sound and lasting relations between the sellers and buyers.
2. It can create wants that never existed before by showing the prospective buyers how particular goods or services satisfy their demand.
3. It consists of one human mind influencing another human mind.
4. It involves not only in selling the products and services but also in providing the knowledge, technical assistance, counsel and advice. The salesmanship is the process of selling the ideas of beauty, health, economy, prosperity, convenience, comforts and so on.
5. It brings reasonable profit to the seller and definite benefit to the buyer in the effort of inducing the customers to buy the goods and services



## **The Personal Selling Process:**

### **1) Prospecting and Evaluating**

Seek names of prospects through sales records, referrals etc., also responses to advertisements. Need to evaluate if the person is able, willing and authorized to buy. Blind prospecting-rely on phone directory etc.

### **2) Pre-approach (Preparing)**

- ❖ Assess credit histories
- ❖ Prepare sales presentations
- ❖ Identify product needs

### **3) Approaching the Customer**

- ❖ Manner in which the sales person contacts the potential customer, First impression of the sales person is Lasting and therefore important
- ❖ Strive to develop a relationship rather than just push the product
- ❖ Can be based on referrals, cold calling or repeat contact

### **4) Making the Presentation**

Need to attract and hold the prospects Attention to stimulate Interest and stir up Desire in the product so the potential customer takes the appropriate Action. AIDA

## **Three types of Presentations:**

Stimulus Response Format

Formula Selling Format

Need Satisfaction Format

### **5) Overcoming Objections**

- ❖ Seek out objections and address them.
- ❖ Anticipate and counter them before the prospect can raise them.
- ❖ Try to avoid bringing up objections that the prospect would not have raised.
- ❖ Get budget information on buyer before you try to sell, and must know what they want, must sell service on top of product augmented product—to create value
- ❖ Must know value of product, provide warranties etc.

### **6) Closing**

The following are popular closing techniques:

- ❖ Trial Close (Minor decision close)
- ❖ Assumptive close (Implied consent close)
- ❖ Urgency close
- ❖ Ask for the sale close

### **7) Following Up**

Accomplishes four objectives:

- ❖ Customer gain short term satisfaction
- ❖ Referrals are stimulated
- ❖ In the long run, repurchase
- ❖ Prevent cognitive dissonance

**Unit V**  
**Retail Trends**

**Globalization and Retailing:**

Indian retailing is coming of age and needs to have a clear brand proposition to offer the discerning Indian consumer. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy

Brand building constitutes a way in which the main value of the retail store shifts to what has been traditionally called an intangible. However, the characteristics of the branding process, which are of interest to the retailers, are still the characteristics of the traditional product brands – they are simply extended to the intangible part of the business. Thus, the characteristics of a branded product are simply applied in a different space.

Building retail brands that offer value will, in future, overshadow all these areas, and emerge as the dominant reason for the success of the organized Indian retailer. Indian retailers should also understand that the retail experience has become a popular leisure activity and they are vulnerable to any new competition for customers’ entertainment. Indian retailers must build their brands with images that seek to entertain and involve their customers. It is the quality and value of the retail brand that they have sought to establish that will determine the loyalty of the retail shopper in future.

India’s global ascendancy in recent years has been driven by the IT-based service industries. This has been made possible due to years of pioneering work done by companies such as Tata Consultancy Services (TCS) and Tata Burroughs Limited (this company no longer exists), and followed up by several other companies, notably WIPRO and Infosys for several years now. In recent times, the BPO market has seen India becoming a major player, with low-value added jobs migrating to India.

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Most important in the process of globalization is the mindset of companies that are globalizing. Usually it implies looking at the world as your marketplace, rather than any one country. In this regard, the American service firms in some categories have been truly global in their outlook

**Factors Underlying Modernization in Retailing:**

<b>Sl.No.</b>	<b>Underlying Factors</b>
1	Economic development
2	Improvements in civic situation
3	Changes in consumer needs, attitudes and behaviour
4	Changes in government in retailing
5	Increased Investment
6	Rise in power of organized retail

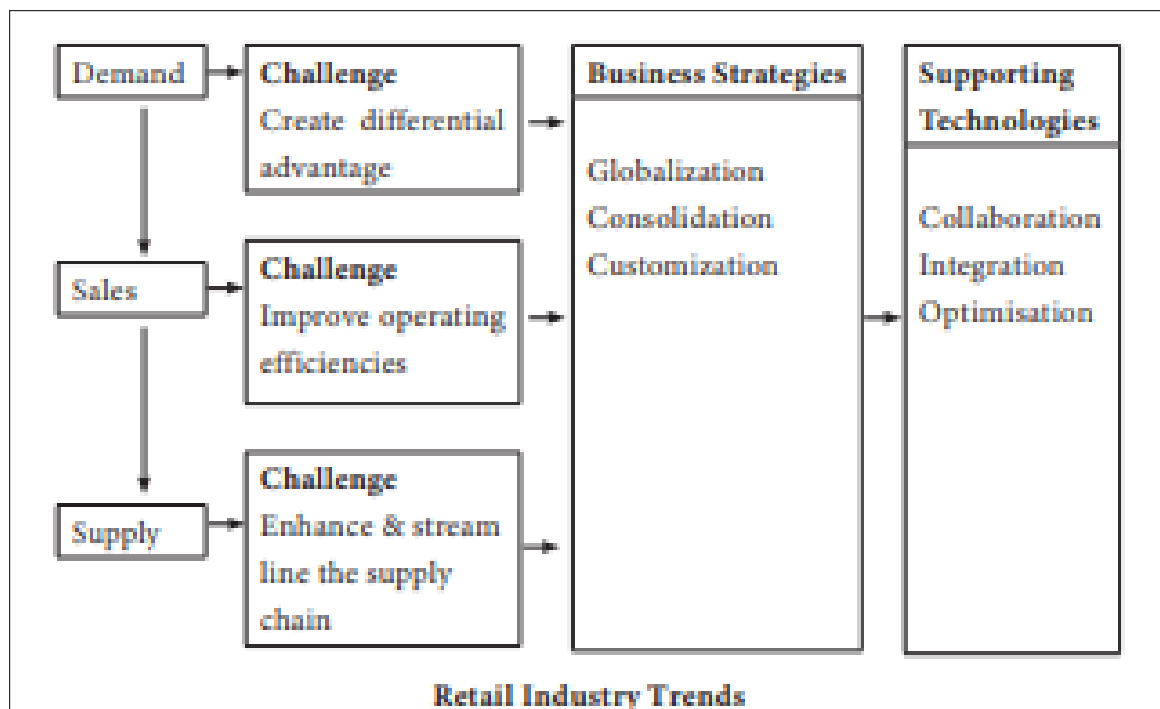
The development of the Indian economy is a necessary condition for the development of the Indian retail sector. The growth of modern retail is linked to consumer needs, attitudes and behavior. Marketing channels including retailing emerge because they receive impetus from both the supply side and the demand side. On the demand side, the marketing channel provides service outputs that consumer's value.

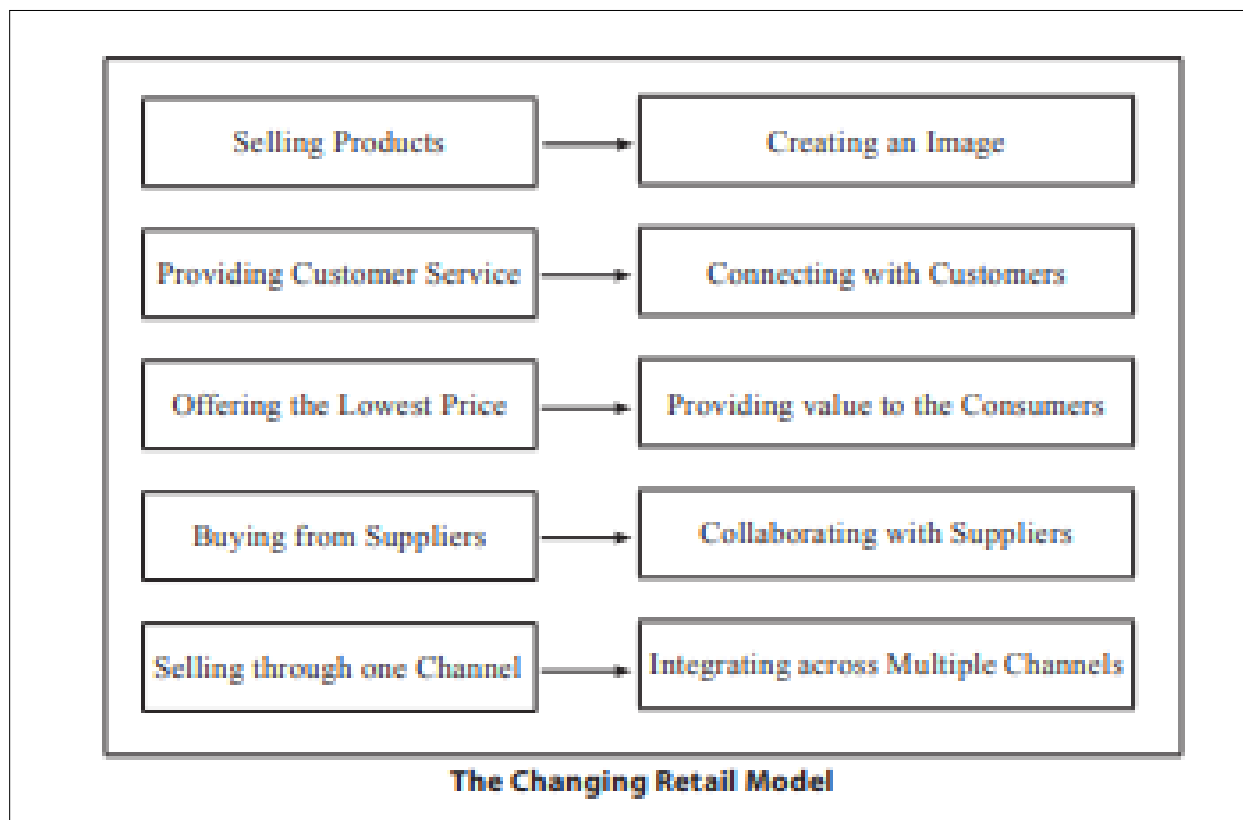
In Indian retailing, convenience and merchandise appear to be the most important factors influencing store choice, although ambience and service are also becoming important in some contexts. Store ambience includes such as lighting, cleanliness, store layout and space for movement.

The government of India has clarified on a number of occasions that foreign direct investment will not be permitted in India in the retailing sector. In opening up the retail sector, the government may consider various approaches such as insisting on joint ventures, limiting the foreign stake, or specifying the cities where investment is permitted.

Recent trends show that industrial groups such as Reliance and Raymond 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.

### Emerging New Face of Retailing:





#### **Alternative Selling Channels:**

Sales through most alternative selling channels are tiny or nonexistent. The only exception was direct selling, which grew rapidly over the review period. The main reason for this was that direct selling companies could easily attract a huge number of “distributors”, who constitute the key element for the success of any direct selling company. Many of these are unemployed Indian housewives who welcomed this opportunity to earn additional income for their households. The low start-up costs meant that they could easily start this business.

#### **Forecast Total Retail Sales:**

Modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores and hypermarkets. This is because of the growing preference of the affluent and upper middle classes for shopping at these types of retail stores, given the conveniences they offer such as shopping ambience, variety and a single point source for purchases.

The Indian retail sector has experienced major changes. The organized retail growth in the country has been triggered by tremendous increase in consumer spending, which in turn, has been fuelled by the rise in the disposable income.

It is important to note that besides the increased per capita income, a number of other factors have also played a very important role in the increase of consumer spending that we are presently witnessing in India. The most prominent of these factors are the changing age profile, increasing consumerism, the availability of cheap credit and changing attitudes of the Indians.

## Online Retailing:

In retail, it has opened up a new avenue for retailers to reach out to their customers and suppliers, in markets where they do not have a physical presence. It has presented opportunities for deepening of customer relations, streamlining operations, cutting costs and discovering new sources of revenue

In the more mature retail markets of the world, the websites of most of the retailers allow business to be conducted on line. The reasons for the emergence of e-tail as a viable source of business, stems from the fact, that it can offer a larger basket to the consumer

Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, Pets Mart and CD Now.com. Some websites feature broad assortments, especially those launched by general merchandise retailers such as Wal-mart and Target. Some Internet only firms, notably Amazon. com are using various methods to broaden their offerings.

## E-Commerce and Retailing:

The e-commerce market in India saw frenzied activity a few years ago, with just about everybody getting into the act. However, after the dot com bust, the Business to Commerce (B2C) market in India is now showing signs of slow revival. According to IDC India, the B2C market has made good progress, despite a small base. The growth, though significant, is comparatively small when compared to the B2C market in the United States of America, which touched \$50.3 billion last year<sup>2</sup>

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## Global Entry Strategy:

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

For example,

The McDonald's does not offer beef burgers, its most popular item in most other markets, in India. However, many other products on its menu remain the same, or similar. This is because the company has to take care of local sentiments. Similarly, an Indian restaurant offering food to Americans may have to follow more stringent laws about kitchen hygiene in western countries. Some changes in products or practices are due to the environmental factors such as the law, the local environment or the customer sentiment.

Other changes may be due to fine-tuning of the service to suit local customer tastes or preferences.

For example, hotels in India offer a lot of personal services to guests, some of which could be eliminated if the hotel were to start operations in the US where guests may be comfortable doing things on their own, rather than being served by a person.

## New Customized Formats:

Emergence of Self-Service Retail evolved in many ways over the twentieth century. Self-service as a concept started in 1916, when Clarence Saunders started the first selfservice store “Piggly Wiggly” in Memphis, Tennessee. The concept of selfservice helped the retailer reduce costs, as fewer workers were required to service the customers

### Supermarket

The first hypermarket that was developed was Carrefour in France, in 1963. The new formats gave the customer the choice of picking up a product, of comparing it with others Notes 267 and then taking a decision on buying. This required that the products were displayed and packaged attractively. It also became necessary to provide all the information with respect to the price, date of manufacture, and expiry weight etc.

- They fixed product prices before sale, and the customers bought at the set prices.
- The prices were determined on the basis of stock turns and amount of profit would be generated from the product.
- They departmentalized the products. Accounting systems were devised to determine the contribution of various departments and this enabled them to drop unprofitable goods.

### Specialty Stores, Malls and Other Formats

The emergence of commodity specialized mass merchandisers in the 1970’s. The seventies also were witness to the use of technology in the retail sector with the introduction of the ‘barcode’. Specialty chains developed in the 80s, as did the large shopping malls.

Shopping malls, a late 20th -century development, were created to provide for all of a consumer’s needs in a single, self-contained shopping area. Although they were first created for the convenience of suburban populations, they are now found in many main city thoroughfares. A large branch of a well-known retail chain usually serves as a mall’s retail flagship, which is the primary attraction for customers

Thus,

The evolution of retail formats worldwide has been largely influenced by a constantly changing social and economic landscape. One of the main reasons for new formats emerging is the consumer himself. Today’s consumer, when compared to the consumer of the earlier generation, is definitely more demanding and is focused on what he wants. Consumer demand is the prime reason for the emergence of various formats.

The retailer, on the other hand, has been influenced by factors like the availability of real estate, and the increase in its prices. He is faced with the challenge of adding on new services and the need for differentiation. This has led to specialization and the emergence of specialists. Supply chain complexities and the increasing pressure on margins have also forced the retailers to look at new formats.

## Classification of Retail Stores:

### 1. Classification on the Basis of Ownership

#### ✚ An Independent retailer:

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

A chain retailer or a corporate retail chain:

When two or more outlets are under a common ownership, it is called a retail chain. These stores are characterized by the similarity in merchandise offered to the consumer, the ambience, the advertising and the promotions.

#### ✚ Franchising:

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

- A product or a trade mark franchise – where the franchisee sells the products of the franchiser and / or operates under the franchiser's name. Archie's stores, which have come up all across India, are an example of product franchising
- A business format franchise – McDonald's is perhaps one of the best examples of business format franchising

#### ✚ Leased Departments:

These are also termed as shop-in-shops. When a section of a department in a retail store is leased / rented to an outside party, it is termed as a leased department. A leased department within a store is a good method available to the retailer, for expanding his product offering to the customers

#### ✚ Consumer Co-operatives:

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

### 2. Classification on the Basis of the Merchandise Offered

#### ✓ Convenience Stores

These are relatively small stores, located near residential areas. They are open for long hours, seven days a week and offer a limited line of convenience products like eggs, bread, milk, etc.

#### ✓ Supermarkets

These are large, low cost, low margin, high volume, self-service operations, designed to meet the needs for food, groceries & other nonfood items. This format was at the forefront of the grocery revolution, and today, controls more than 30 per cent of the grocery market in many countries.

### ✓ **Hypermarkets**

These are huge retail stores occupying an area which ranges anywhere between 80,000 to 2,20,000 sq.ft. The hypermarket concept was pioneered by Carrefour in France. A distinguishing feature of hypermarkets is their large size. The cheapest prices will normally be found in these stores. Across the world, hypermarkets are usually part of a retail park with other shops, cafeterias and restaurants. They almost always have their own petrol station on the site.

### ✓ **Speciality Stores**

A narrow product line characterizes these stores, with deep assortments in that product line. Speciality stores usually concentrate on apparel, jewellery, fabrics, sporting goods, furniture, etc. Personal attention, store ambience and customer service are of prime importance to these retailers. Internationally, most specialty retailers operate in an area that is under 8,000 sqft.

A new type of a speciality retailer has emerged in the West – this is the category killer. A category killer is a speciality retailer, which offers a very large selection in the chosen product category, and economical prices. Category killers are successful because they focus on only one category

### ✓ **Department Stores**

Department stores, originated as a retail format in the midnineteenth century. This format of retailing is popular in many parts of the world. In broad terms, a department store is a large-scale retail outlet, often multi-leveled, whose merchandise offer spans a number of different product categories. The merchandise of various departments is displayed separately in the store. Apparel and furnishing are two of the most common product categories in most department stores.

### ✓ **Off Price Retailers**

The merchandise is sold at less than the retail prices. Offprice retailers buy manufacturers, seconds, overruns and / or off seasons, a deep discount. The merchandise may be in odd sizes, unpopular colours or with minor defects. Off price retail stores may be manufacturer owned or may be owned by a speciality or departmental store. These outlets are usually seen by the parent company as a means of increasing the business.

### ✓ **Catalogue Showrooms**

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

## **3. Non-Store Retailing**

### ➤ **Direct Selling**

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



### ➤ **Direct Response Marketing**

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

### ➤ **Television**

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

### ➤ **Electronic Shopping**

This format allows the customer to evaluate and purchase products from the comfort of their homes. The success of this form of retailing largely depends on the products that are offered and the ability of the retail organization to deliver the product on time to the customer. Strong supply chains and delivery mechanisms need to be in place for it to be a success.

### ➤ **Interactive Kiosk**

Information kiosks have emerged in the western markets as a new type of electronic retailing. These kiosks, comprising of computer terminals housed inside and a touch screen on the outside, provide customers with product and company information and may actually aid the customer in making a purchase. A large number of international cosmetic companies have used this technology to their advantage.

### ➤ **Automated Vending**

This is another impersonal form of retailing. However, it provides convenience to the customers, as they have access to the products round the clock. It is a popular form of retailing abroad and is used to sell routinely purchased items like soft drinks, candy, cigarettes and newspapers.

### ➤ **Airport Retailing**

Airports are focusing on retail and food and beverage strategies upfront, so as to reshape airports into exciting, energized business and retail / entertainment centre's – as well as transportation hubs. Retail organization has actually ventured into opening a retail store at an airport in India.

### ➤ **The “Cash & Carry” Outlets**

The term “Cash & Carry” means that customers do their own order picking, pay in cash and carry the merchandise away. Cash and carry is a wholesale format that aids small retailers and businessman.

- It offers a wide assortment of goods, food and non-food items, thus providing for one stop shopping and allowing the customers to save time.
- Given the permanent availability of goods in the store, the customer can always purchase the goods he needs and is able to store and finance them in the short term.

## ➤ **Franchising**

A franchise (or franchising) is a method of distributing products or services involving a franchisor, who establishes the brand's trademark or trade name and a business system, and a franchisee, who's pays a royalty and often an initial fee for the right to do business under the franchisor's name and system.

**Two types of franchises:**

### **1. Product and Trade Name Franchise**

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

### **2. Business Format Franchise**

Business format franchise is the most common type of franchising today. In this type of franchising, the franchiser provides the product, the trade names, the operating procedures, and the training required for running the franchise. The franchisee, on the other hand, incurs the expenditure for the premises and its interior decoration and the staff. He also manages the day-to-day business.

## **Role of Retailing in Various Sectors:**

### ❖ **Food Retailers**

There are a large variety of retailers operating in the food-retailing sector. This is not surprising considering the enormous size of the market for food. However, traditional types of retailers, who operate small single outlet businesses mainly using family labor, dominate this sector. In comparison, supermarkets account for a minuscule proportion of food sales. This includes low operating costs and overheads, low margins, proximity to customers, long opening hours, and additional services to customers (such as home delivery).

### ❖ **Health and Beauty Products**

Retailers With growth in earnings, Indians have been spending more on health and beauty products. As in the case of other retailing sectors, small single-outlet retailers also dominate sales of health and beauty products. However, in recent years, a couple of retail chains specializing in health and beauty products have sprung up. At present, they account for only a tiny share of sales of these products.

### ❖ **Clothing and Footwear Retailers**

Numerous clothing and footwear shops are to be found in Indian cities and towns, especially in shopping centre's and markets. These are a mix of traditional and modern stores. Traditional outlets are small and cramped with little emphasis on alluring displays. They basically, stock a limited range of cheap and popular items. In contrast, modern clothing and footwear stores are spacious with sample products attractively displayed in windows.

### ❖ **Home Furniture and Household Goods Retailers**

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

### ❖ Durable Goods Retailers

The entry of a large number of foreign consumer durable companies into the Indian market post liberalization transformed this sector dramatically. A much larger variety of consumer electronic items and household appliances became available to the Indian customer. Competition among companies to sell their brands provided a strong impetus to the growth for retailers operating in this sector

### ❖ Leisure and Personal Goods Retailers

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