SYLLABUS

Class: - B.B.A. VI Semester

Subject: - Retail Management

Unit-I	**Introduction to retailing:** Definition and scope, evolution of retailing, types of retail, trends in retailing industry, benefits of retailing, retailing environment.
Unit-II	**Retail purchasing and pricing:** Purchase management:- Merchandise purchasing, open to buy, open to buy planning, analyzing the merchandise performance, Pricing strategies:-every day pricing, competitive based pricing, price skimming, market-oriented pricing, marginal cost pricing. Retail price strategies: - mark-up pricing, vendor pricing, competitive pricing, psychological pricing.
Unit-III	**Retail marketing and promotion:** Nature and scope:-relationship marketing, market strategies, retail research Understanding the retail customer:- retail market, population analysis, demographic analysis, consumer behavior Retail promotion Mix: - Retail promotion programme, retail advertising media, promotional budget. Customer services: - customer services, services quality gaps, service recovery.
Unit-IV	**Information system in retailing:** Acquiring and using information strategies, technology in retail, information sources, retail information system.
Unit-V	**Retailing in India:** Evolution and trends in organised retailing, Indian organised retail market, FDI in Indian organised retail sector, retail scenario in India, future trends of retail in India.
Unit-VI	**Ethical and legal issues in Retailing:** Dealing with ethical issues, social responsibility, environmental orientation, waste reduction at retail stores.

UNIT – 1

INTRODUCTION

The Indian retail industry - a sun rise industry has registered a strong growth during the recent past, which is evidenced, in terms of volume, size of operations and style of functioning across the nation. A shift from traditional retailing to well organized retailing has-been very much noticeable and that stands to testify the pattern of development in the retail industry in India. However in India, even now most of the retail business rely on unorganized retail business units each one is spread smaller in size catering to the needs of neighborhood areas.

DEFINITION AND SCOPE OF RETAILING:

Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means

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'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

EVOLUTION OF RETAILING

- Traditionally retailing in India can be traced to
  - The emergence of the neighborhood 'Kirana' stores catering to the convenience of the consumers
  - Era of government support for rural retail: Indigenous franchise model of store chains run by Khadi & Village Industries Commission
- 1980s experienced slow change as India began to open up economy.
- Textiles sector with companies like Bombay Dyeing, Raymond's, S Kumar's and Grasim first saw the emergence of retail chains
- Later Titan successfully created an organized retailing concept and established a series of showrooms for its premium watches
- The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers.
- For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books.
- Post 1995 onwards saw an emergence of shopping centers,
  - mainly in urban areas, with facilities like car parking
  - targeted to provide a complete destination experience for all segments of society
- Emergence of hyper and super markets trying to provide customer with 3 V's - Value, Variety and Volume
- Expanding target consumer segment: The Sachet revolution - example of reaching to the bottom of the pyramid.

RETAILING TYPES IN INDIA

- **Malls:** The largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sqft to 7,00,000sqft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Piramyd, Pantaloon.
- **Specialty Stores:** Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.
- **Discount Stores:** As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non perishable goods
- **Department Stores:** Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc.
- **Department Stores:** Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop!.
- **Hyper marts/Supermarkets:** Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sqft to 2,000 sqft and large supermarkets ranging from of 3,500 sqft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.
- **Convenience Stores:** These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.
- **MBO's**: Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

THE EMERGING SECTORS IN RETAILING:

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores and fast-food chains. It is the non-food segment, however that foray has been made into a variety of new sectors. These include lifestyle/fashion segments (Shoppers' Stop, Globus, Lifestyle, Westside), apparel/accessories (Pantaloon, Levis, Reebok), books/music/gifts (Archies, Music World, Crosswords, Landmark), appliances and consumer durables (Viveks, Jainsons, Vasant& Co.), drugs and pharmacy (Health and Glow, Apollo).

The emergence of new sectors has been accompanied by changes in existing formats as well as the beginning of new formats:

- Hyper marts
- Large supermarkets, typically 3,500-5,000 sq. ft.
- Mini supermarkets, typically 1,000-2,000 sq. ft.
- Convenience stores, typically 750-1,000sq. ft.
- Discount/shopping list grocer

The traditional grocers, by introducing self-service formats as well as value-added services such as credit and home delivery, have tried to redefine themselves. However, the boom in retailing has been confined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impact of organized retailing.

There are two primary reasons for this. First, the modern retailer is yet to feel the saturation' effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles.

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

TRENDS IN RETAILING

Retail Marketing is largely based on three Vs- Value, Volume and Variety. Though the Retail marketing had the quantitative development across the globe, the quality is no doubt being compromised with the Globalization. International quality products are competing with indiginised products. This variation in size, quality and competition has made Indian market face ridiculous growth. As the competition is between international and indiginised products, its taking a great toll on both the sectors.

With the big giants entering the market, there is a grave competition in the Indian Economy. After 1995 the great companies like Food world, Reliance, Planet M, Music World and many others also entered the retail market. The visibility and the craze to remain in the forefront of business has made many of the giant companies to move from manufacturing to front line retailing. With this Retailing has become prominent giving world class shopping experience to the customers under one roof.

CHARACTERISTICS AND TRENDS IN RETAILING

- Interaction with the end consumers
- It enhances the volume of sales but the monetary value is less
- Customer service plays a vital role
- There is a tendency for automatic sales promotion
- With more outlets retail marketing creates visibility
- Location and layout plays a vital role.
- Creates employment opportunities to all age groups, gender , irrespective of qualification and religion.
- Generates job opportunities in flexi timings.
- Retail marketing creates a place, time and possession utility for a product.

UNIT – II

Retail purchasing and pricing: Purchase management:- Merchandise purchasing, open to buy, open to buy planning, analyzing the merchandise performance, Pricing strategies:-every day pricing, competitive based pricing, price skimming, market-oriented pricing, marginal cost pricing. Retail price strategies: - mark-up pricing, vendor pricing, competitive pricing, psychological pricing.

RETAIL BUYING/PURCHASING

- Who participates?
- What happens?
- What causes or influences a specific decision?

The retail buying process - who participates?

OBB theory discusses a 'buying centre' or 'decision-making unit' (DMU) comprising:

- **User** – product is purchased on behalf of user
- **Influencer** – a specialist who advises on the problem (e.g. technical, textile technologist, designer)
- **Decider** – has responsibility to purchase
- **Buyer** – involved in day to day activity (might also be the decider)
- **Gatekeeper** – information on issues such as products or markets distributed via gatekeeper

The retail buying process - What happens?

A suggested staged process undertaken before a buying decision is made (the 'buy-phases')

- Recognition of retail customer need
- Write specification of product to satisfy need
- Search for a supplier that can produce a product which meets specification
- Choose supplier that meets supply requirements
- Specify the order (time, quantity, delivery)
- Evaluate performance of product and supplier

The retail buying process - What causes or influences the OBB decision?

MERCHANDISING

- Retail Merchandising refers to the various activities which contribute to the sale of products to the consumers for their end use. Every retail store has its own line of merchandise to offer to the customers. The display of the merchandise plays an important role in attracting the customers into the store and prompting them to purchase as well.

- Merchandising helps in the attractive display of the products at the store in order to increase their sale and generate revenues for the retail store.

- Merchandising helps in the sensible presentation of the products available for sale to entice the customers and make them a brand loyalist

Promotional Merchandising - The ways the products are displayed and stocked on the shelves play an important role in influencing the buying behavior of the individuals. A merchandiser maximizes the sale of the products by:

Attractive packaging - The packaging of the merchandise goes a long way in improving the brand value of the product. A product kept in a nice box would definitely catch the attention of the customers.

Impressive presentation of the Product- The display of the products at the retail store must entice the customers. The merchandiser in coordination with the store manager must ensure that the products are according to the season as well as latest trends.

The merchandiser must:

- Source something which is unique and not available at any other retail store.
- Never compromise on quality of the merchandise. Compromising on quality costs later.
- Source merchandise as per the season and climate.

By mid of August and early September, the summer merchandise is generally on a close out and stores begin stocking merchandise for the winter season. Warm clothing, full sleeves apparels, jackets, pullovers start replacing cut sleeves, capris, ankle length dresses, shorts and so on. Colourful clothes dominate the shelves as compared to the subtle colours in summers.

The type of product sourced also depends on the climatic conditions of the place.

A Reebok store in Central India or Southern India would stock summer merchandise between April to September whereas a retail store under the same brand somewhere in a cold area would source woollen merchandise along with summer clothing as per the demand of the season.

Unique Pricing (Discounts) - Attractive prices, discounts, rebates also bring customers to the store.

Promotional schemes, gifts - Coupons and attractive gifts make shopping a pleasurable experience for the customers.

MERCHANDISING TIPS

- The merchandiser must source products according to the latest trends and season.
- The merchandise should be as per the age, sex and taste of the target market.
- Merchandise for children should be in line with cartoon characters (like Barbie, Pokemon etc) to excite them.

The target market of Zodiac Clothing Company Limited mainly comprises of office goers and professionals. The merchandise (shirts, trousers, neck ties, belts) is as per the taste of the professionals. Beach house shirts would have no takers in such a store.

- The merchandiser ideally works on the “invariant right” principle. Since most of us are right handed, it is a common tendency that customers entering into retail store would first go towards the right side of the store. The merchandiser should display the unique and expensive collections on the right side of the store to entice the customers.
- The set up of the store should be such that once a customer enters into a store, he has to walk through each and every department.
- The shelves should be stocked with the latest trends. The merchandise should be well organized on the racks according to their size and pattern.
- It is the key responsibility of the merchandiser to create an attractive display to pull the customers into the store. Once the customer steps into the store, he would definitely buy something or the other.

MERCHANDISING PURCHASING

The merchandise purchasing process consists of five steps: identifying the sources of supply, contacting the sources of supply, evaluating the sources of supply, negotiating with the sources of supply, and purchasing from the sources of supply.

The first step in the merchandise purchasing process deals with determining the type of channel to be used for purchasing each line of merchandise. The retailer can consider different sources of supply: raw-resource producers, manufacturers, wholesalers and resident purchasing offices.

The second step in the merchandise purchasing process involves contacting the various sources of supply. Both the vendor and the retailer can initiate the contact process. Contacts initiated by vendors involve store visits by vendors' sales personnel or mail or telephone inquiries. Contacts initiated by retailer include visiting central markets, resident purchasing offices, and merchandise trade shows, and making telephone and mail inquiries.

The third step in the merchandise purchasing process deals with the evaluation of several prospective vendors. Retailers evaluate vendors on the basis of a) suitability, availability and the adaptability of the merchandise being offered, b) the exclusiveness of the merchandise offered and the vendor's distribution policies, c) the appropriateness of the vendor's price, d) the type and amount of promotional support offered by the vendor, and e) the type and amount of additional services provided by the vendor. Retailers can use a weighted rating method to evaluate vendors.

The fourth step in the merchandise purchasing process involves negotiating with the sources of supply. Retailers usually negotiate on price and service issues. Retailers should also consider the various transportation and handling issues that influence the cost of sourcing new merchandise.

In the fifth and final step of the merchandise purchasing process, the actual purchasing takes place. Retailers can purchase all the merchandise from a few vendors or from a number of different suppliers. They can also choose from different purchasing methods like regular, consignment, memorandum, approval or specification.

The merchandise handling process is as important as the merchandise purchasing process. This process involves developing a plan to get the merchandise carefully into the store and place it on the shelves for sale. Merchandise handling includes processing, receiving and storing merchandise, pricing and marking the inventory, arranging displays and on-floor assortments, customer transactions, delivering the goods, handling the goods that are returned by customers, taking decisions regarding damaged merchandise, and finally, controlling and monitoring losses due to merchandise pilferage.

Once a retailer develops a strategy for handling merchandise, a reorder procedure must be developed. This procedure depends on various factors like the time taken by the retailer to process the order, the time taken by the vendor to fulfill the order, the inventory turnover rate, the financial expenditure and the cost of holding inventory versus the cost of ordering merchandise. The retailer should re-evaluate the complete merchandising process periodically.

The hundreds of transactions that take place between retailers and vendors can give rise to a number of ethical and legal issues. These issues must be addressed by both retailers and vendors.

RETAIL PRICING and MERCHANDISING PERFORMANCE

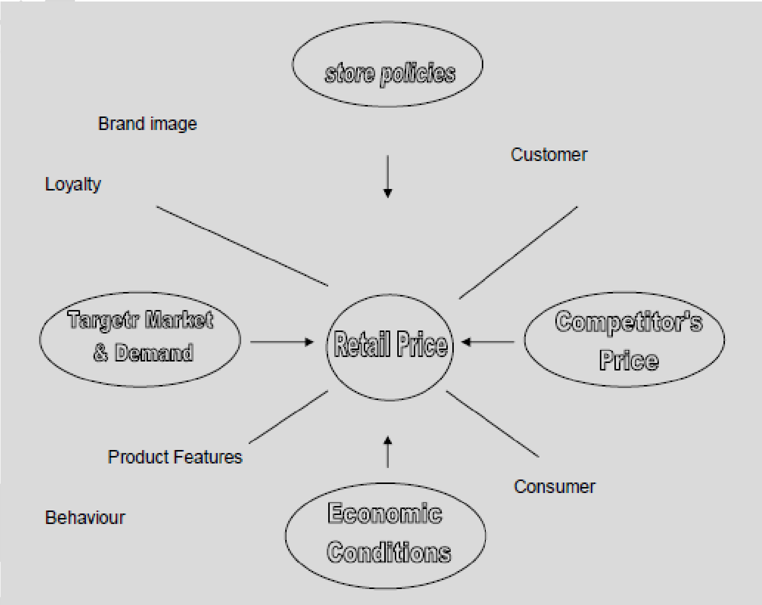
Price is an integral part of the retail marketing mix. It is the factor, which is the source of revenue for the retailer. The price of the merchandise also communicates the image of the retail store to the customers. Various factors like the target market; store policies, competition and the economic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

- The first factor to be taken into consideration is the demand for the product and the target market. Who is this product meant for and what is the value proposition for the consumer. In some cases, the price of the product is linked to the quality. This is generally in the case of products like electronics, where a high priced product is perceived to be of good quality. On the other hand, for products like designer clothing, a certain section of the population may be willing to pay a premium price. Hence, it is very essential that the buyer is clear about the target market for the producer and the value proposition that they would look for.

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

- Competition for the product and the competitor's price for similar product in the market also need to be taken into consideration. In case the product is unique and does not have any competition, itcan command a premium prices on the other hand, in case there after a fair number of similar products in the market, the prices of such product need to be taken into consideration before fixing theprice.

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



The various factors affecting retail pricing are illustrated in the fig. shown here:

The pricing objectives should be in agreement with the mission statement and merchandising policies of the retail organization.

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. Sop rents and head office costs fall into this category. The level of sales directly affects the variable expenses.
Merchandise margins and the product mix, however, are variable, and their management can either enhance or destroy Profitability.

The profit to be earned from the merchandises must be planned before fixing the retail price. The profit figure arrived at, can be expressed as a percentage of the retail price or as a percentage of the cost price.
Thus, the following formulae would apply:
Make Up Per cent (Based on Retail Price) = Mark Up in Rupees / Retail Price and, Mark Up Per cent (Based on Cost) = Mark up in Rupees / Cost.
Let us under strand this concept with the help of the following illustration.
Assume that the cost of the merchandise of an item I s Rs 200 and the mark up is Rs 150. The mark up percentage based one the retail price would work out to 37.5%.
The retail price has been calculated as 200+150 = 350.
Mark Up percentage on retail = 150 / 350 = 42.86%

Based on the cost price, the mark up percentage can be calculated as under:
Mark Up percentage on cost = 150 / 200 = 75 %.

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 mark up.
Thus, Retail Price = Cost + mark up
If this formula is rearranged, we get
Cost = Retail Price – Mark up and,
Mark up = Retail Price– Cost.
The difference between the selling price and the cost is considered to be the mark up and should cover for the operating expenses and the transportation, etc. Mark up percentages may be calculated on the retail price or on the cost. They are calculated as under.
Mark up % (at retail) = (Retail Selling Price – Merchandise Cost) / Retail Selling Price
Mark up % (at cost) = (Retail Selling Price – Merchandise Cost) / merchandise Cost
When the buyer is aware of the mark up percentages required and of the selling price, he can also work out the price at which he actually needs to procure the product.

Demand-oriented pricing - focuses on the quantities that the customers would buy at various prices. It largely depends on the perceived value attached to the product by the customer. Sometimes, a high priced product is perceived to be of a high quality and a low priced product is perceived to be of a low quality. An understanding of the target market and the value proposition that they would look for is the key to demand oriented pricing.
When the prices adopted by the competitors play a key role in determining the price of the product, then competition-oriented pricing is said to follow. Here, the retailer may price the product on par with the competition, above the competitor's price or below that price.

APPROACHES TO A PRICING STRATEGY

1. **Market skimming** The strategy here is to charge high prices initially and then to reduce them gradually, if at all. A skimming price policy is a form of price discrimination over time and for it tobe effective, several conditions must be met.
2. Market Penetration This strategy is the opposite of market skimming and aims at capturing a large arket share by charging low prices. The low prices charged stimulate purchases sand can discourage competitors from entering the market, as the profit margins per time are low. To be effective, it needs economies of cale, either in manufacturing, retail or both. It also depends upon potential customers being price sensitive about particular item and perhaps, not perceiving much difference between brands.
3. Leader pricing Here, the retailer bundles a few products together and offers them at a deep discount so as to increase traffic and sales on complementary items. The key to successful leader pricing strategy is that the product must appeal to a large number of people and should appear as a bargain. Items best suited for this type of pricing are those frequently purchased by shoppers, e.g., bread, eggs, milk, etc.
4. Price bundling Here, the retailer bundles a few products together and offers them at a particular price. For example, a company may sell a PC at a fixed price and the package may include a printer and a web camera. Another example is that of the Value Meal offered by McDonald's. Price bundling may increase the sales of related items.
5. Multi-unit pricing In multi-unit pricing, the retails offers discounts to customers who buy in large quantities or who buy a product bundle. This involves value pricing for more than one of the same item. For example, a retailer may offer one T-shirt for Rs 255.99 and two T- shirts for Rs 355.99. Multi-unit pricing usually helps move products that are slow moving.

6. **Discount pricing** It is used as a strategy by outlet stores who offer merchandise at the lowest market prices.
7. **Every Day Low Pricing** Every Day Low Pricing or EDLP as it is popularly known, is a strategy adopted by retailers who continually price their products lower than the other retailers in the area. Twofamous examples of EDLP are Wal- Mart and Toys "R" Us, who regularly follow this strategy.
8. **Odd Pricing** Retail prices are set in such a manner that the prices end in odd numbers, such as Rs 99.99 or Rs 199, Rs 299,etc.
9. **Mark-up Pricing -** Markup on cost can be calculated by adding a pre-set (often industry standard) **profit margin**, or percentage, to the cost of the merchandise.
10. **Markup on retail** is determined by dividing the dollar markup by retail. Be sure to keep the initial mark-up high enough to cover price reductions, discounts, shrinkage and other anticipated expenses, and still achieve a satisfactory profit. Retailers with a varied product selection can use different mark-ups on each product line.
11. **Vendor Pricing -** Manufacturer suggested retail price (MSRP) is a common strategy used by the smaller retail shops to avoid price wars and still maintain a decent profit. Some suppliers have **minimum advertised** prices but also suggest the retail pricing. By pricing products with the suggested retail prices supplied by the vendor, the retailer is out of the decision-making process. Another issue with using pre-set prices is that it doesn't allow a retailer to have an advantage over the competition.
12. **Competitive Pricing -** Consumers have many choices and are generally willing to shop around to receive the best price. Retailers considering a competitive pricing strategy will need to provide outstanding customer service to stand above the competition.
13. **Pricing below competition** simply means pricing products lower than the competitor's price. This strategy works well if the retailer negotiates the best prices, reduces costs and develops a marketing strategy to focus on price specials.
14. **Prestige pricing, or pricing above competition**, may be considered when location, exclusivity or unique customer service can justify higher prices. Retailers that stock high-quality merchandise that isn't available at any other location may be quite successful in pricing their products above competitors.
15. **Psychological Pricing -** Psychological pricing is used when prices are set to a certain level where the consumer perceives the price to be fair. The most common method is **odd-pricing** using figures that end in 5, 7 or 9. It is believed that consumers tend to round down a price of $9.95 to $9, rather than $10.

ANALYSING MERCHANDISE PERFORMANCE

There are three methods of analyzing merchandising performance:

1. 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. An ABC analysis can be done at any level, for merchandise classification from **Stock Keeping Unit(SKU)** to department. ABC analysis utilizes the 80:20 principles, which implies that **80%** of the sales come from **20%** of the products.

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 Contribution margin = Net Sales – Cost of Goods Sold – Other variable expenses. Other variable expenses can include sales commissions. Sales can be the sales per square foot, the gross margin or the GMROI.

2. 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. There is no reel, which can determine when a mark down is necessary. 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.

3. MULTIPLE ATTRIBUTE METHOD - This method uses a weighted average score for each vendor. *Thefollowing 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.

UNIT –III

Retail marketing and promotion: Nature and scope:-relationship marketing, market strategies, retail research Understanding the retail customer:- retail market, population analysis, demographic analysis, consumer behavior Retail promotion Mix: - Retail promotion programme, retail advertising media, promotional budget. Customer services: - customer services, services quality gaps, service recovery.

RETAIL MARKET STRATEGY

The word strategy comes from ancient Greece. A strategies,' as an army general, and his post was a strategia. Over time, strategic came to mean the craft of generalship instead of just the job. The word spread to French as strategies and then to English as "strategy" in 1980Some of the definitions in use toWhich Steiner pointed, include the following:

1. Strategy is that which top management does that is of great importance to the organization.
2. Strategy refers to basic directional decisions, that is, to purposes and missions.
3. Strategy consists of the important actions necessary to realize these directions.
4. Strategy answers the question: what should the organization be doing?
5. Strategy answers the question: what are the ends we seek and how should we achieve them.

The rise and subsequent fall of strategic planning brings us to the definition of strategy put forth by Henry Mintzberg3. According to Henry Mintzberg, people use "strategy" in several different ways, the most common being these four:

1. Strategy is a plan, a "how," a means of getting from here to there.
2. Strategy is a pattern in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy.
3. Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets.

4. Strategy is perspective, that is, vision and direction.

In Top Management Strategy, Benjamin Tregoe and John Zimmerman5 define strategy as "the framework which guides those choices that determine the nature and direction of an organization", This can be interpreted as selecting products (or services) to offer and the markets in which to alter them.

Treacy and Wierseman identify three "value-disciplines" that can serve as the basis for strategy: operational excellence, customer intimacy and product leadership. As with driving forces, only one of these value disciplines can serve as the basis for strategy. Tracy and Wierseman's three value disciplines are briefly defined below:

1. Operational Excellence-Strategy is predicated on the production and delivery of products and services. The objective is to lead the industry in terms of price and convenience.

2. Customer Intimacy-Strategy is predicated on tailoring and shaping products and services to fit an increasingly fine definition of the customer. The objective is long-term customer loyalty and long-term profitability.

3. Product Leadership-Strategy is predicated on producing a continuous stream of state-of· the-art products and services. The objective is the quick commercialization of new ideas.

Each of the three value disciplines suggests different requirements. Operational excellence implies world-class marketing, manufacturing and distribution processes. Customer intimacy suggests staying close to the customer and entails long-term relationships. Product leadership clearly hinges on market-focused R & D, as well as on organizational nimbleness and agility. What, then, is strategy? Is it a plan? Is it a method of doing business? Is it a position taken? Strategy is all these - it is perspective, position, plan and pattern. Strategy is the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other Strategy and tactics together bridge the gap between ends and means. Strategy is a general framework that provides guidance for actions to be taken and, at the same time, is shaped by the actions taken. This means that the necessary precondition for formulating strategy is a clear and widespread understanding of the ends to be obtained.

UNDERSTANDING RETAIL CUSTOMER

The customer may always be right according to the old adage, but the customer may not always be profitable. This is reason that many retail companies are today rethinking their customer strategies. While the existence of the customer is integral to the existence of the retailer, the ability to understand consumers is the key to developing a successful retail strategy. To be able to satisfy the customer, it is necessary to understand them, their needs and how they respond to various marketing efforts done by retail organization. As competition increases and the customer becomes knowledgeable and demanding the retailer needs this knowledge to stay ahead of his competitors and build a competitive advantage.
An integral part of understanding customers is identifying the customer for the product or service i.e. the target segment and the demographics o this segment their needs and buying behavior. We started by understanding the need for studying the consumer; this is followed by a discussion on the factors that affect the retail shopper. The decision making process that a customer undergoes while buying is then examined. We also study the changes in the Indian consumer and understand what it means for the retailer. Lastly we look at how the retailer can use research as a tool for understanding markets and consumers.

The need for studying consumer behavior:

A key faced by the retailer is creating products and services which would be successful in the market. An accurate understanding of consumer need helps the retailer create product that is likely to be successful in the market. Consumer understanding or an understanding of the consumer buying behavior is the starting point of strategy creation. It is not only important o understand what consumers know about a product, but also what they do not know. This helps in determining the cannels of communication and the products that need to be created to cater the needs of the customer. Understanding consumer knowledge can also help a firm assess how well it has achieved its product positioning goals. The firm needs to study consumers to see how it is deemed success.

Retailers need to know the various influences that lead up to a purchase, not just the store where the purchase as made. This includes looking at a host of external and internal influences. **The process starts with:**

1) Understanding how the need for a product / service was determined
2) Understanding how information was sought by the customer

3) The process of evaluation of various products and stores
4) The payment process
5) The post purchase behavior

While understanding consumer behavior completely may not really be possible, it is in the best interest of the retailer to know his customers. The earliest attempts to study Consumer behavior were motivation research, which relied heavily on Freudian techniques. Consumers can be studied in a variety of ways, including through observation, electronic surveillance interview and surveys, experimentation and sales analysis or consumption research. Firms must examine the demographics (even geo demographics) of customers, as well as the role of group influence and personal factors like attitudes beliefs motivations etc.

Population is not static in the long term; they move around with population ebbing and flowing like the sea. Growth areas emerge over time, quickly some slowly. Corporations analyze these population trends and start planning to enter or leave markets accordingly. This is the process of analyzing constantly the changing consumer trends competition, external sources of influences and company strengths and weaknesses. This may all sound very sound very easy but in practice it is often very difficult.

It is also important to know how, when and where the customers use the product or service that the retailer sells. An objective analysis of internal strengths and weaknesses must also be made. This is often difficult, for strengths are often overstated, while weaknesses understand. An analysis of the competition is also in order. Some firms welcome competition even trying to locate near competitors so that a critical mass can be created. Finally, the external market factors must be considered notably the economy but also technological and legal / political issues as well.

RETAIL PROMOTION

It is broadly defined as any communication by a retailer that informs, persuades, and/or reminds the target market about any aspect of that firm. Advertising, P.R., personal selling and sales promotion are the 4 elements of promotion.

Components of Retail Promotion Mix - There are seven main elements in a promotional mix. They are:

1. Advertising - Any paid form of non-personal communication through mass media about a service or product or an idea by a sponsor is called advertising. It is done through non personal channels or media. Print advertisements, advertisements in Television, Radio, Billboard, Broachers and Cataloges, Direct mails, In-store display, motion pictures, emails, banner ads, web pages, posters are some of the examples of advertising. Paid promotion and presentation of goods, services, ideas by a sponsor comes under the advertisement.

2. Personal Selling - This is a process by which a person persuade the buyer to accept a product or a point of view or convince the buyer to take specific course of action through face to face contact. It is an act of helping and persuading through the use of oral presentation of products or services. Target audience may very from product to product and situation to situation. In other words personal selling is a person to person process by which the seller learns about the prospective buyer's wants and seeks to satisfy them by making a sale. Examples: Sales Meetings, sales presentations, sales training and incentive programs for intermediary sales people, samples and telemarketing etc. It can be of face-to-face or through telephone contact.

3. Publicity: Non-personal stimulation of demand for a product, service or business unit by generating commercially significant news about it in published media or obtaining favourable presentation of it on radio, television or stage. Unlike advertising, this form of promotion is not paid for by the sponsor. Thus, publicity is news carried in the mass media about an organization, its products, policies, actions, personnel etc. It can originate with the media or the marketer, and is published or broadcast at no charge for media space and time. Examples: Magazine and Newspaper articles/reports, radio and television presentations, charitable contributions, speeches, issue advertising, and seminars. Publicity can be favourable (positive) or unfavourable (Negative). The message is in the hands of media and not controlled by the organization/firm.

4. Sales promotion - is any activity that offers an incentive for a limited period to obtain a desired response from the target audience or intermediaries which includes wholesalers and retailers. It stimulates consumer demand, market demand and improve product availability. Examples: Contests, product samples, Coupons, sweepstakes, rebates, tie-ins, self-liquidating premiums, trade shows, trade-ins, and exhibitions.

5 Corporate image - It is important to create a good image in the sight of general public as the Image of an organization is a crucial point in marketing. If the reputation of a company is bad, consumers are less willing to buy a product from this company as they would have been, if the company had a good image.

6 Exhibitions: Exhibitions provide a chance to try the product by the customers. It is an avenue for the producers to get an instant response from the potential consumers of the products.

7 Direct Marketing is reaching the customer without using the traditional channels of advertising such as radio, newspaper, television etc. This type of marketing reach the targeted consumers with techniques such as promotional letters, street advertising, catalogue distribution, fliers etc.
These promotional efforts are of two general types involving:
1. Direct face to face communication
2. Indirect communication through some mass medium, such as television, newspapers, radio, etc.

Sometimes a mixture of personal/direct and non personal/indirect promotion is used as we use in the sales promotion. Industrial buyer will not decide to purchase equipments on the basis of advertisements or direct mail. Personal selling is preferred in this case. On the other hand a customer buying toothpaste or hair oil will have less contact with the company sales person and will be influenced more by advertisements.

RETAIL ADVERTISING MEDIA

Retail media is marketing to consumers at or near their point of purchase, or point of choice between competing brands or products. Common techniques include in-store advertising, on-line advertising, sampling, loyalty cards and coupons or vouchers.
The planning and use of retail media is a key component in the delivery of shopper marketing campaigns.
Retail media channels have become established as increasingly important for promoting goods and services at or near or even further beyond the points of purchase and consumption. Retail media is now being taken more seriously by most traditional media agencies.
Retail Media originated as media available within the retail environment. This has now developed into a media discipline in its own right as new retail media channels have been added. Retail Media now reaches outside of the retail environment to encompass media channels such loyalty program marketing, couponing and door drops, fleet media (retailer's fleet vehicles, etc.).
Though many retail media channels are found inside the retailer's store/environment, the media channels themselves are not always 'owned' or operated by retailers. Many retail media channels are operated independently by specialist media companies who also manage other media outside of the retail environment.

Retail media, context and targeting

Retail Media channels are to a large extent defined by the context of the retailer. The majority of retail media channels reach their audience at or near the point of purchase or point of choice. Research suggests media placed at or near the points of choice/purchase can have a significant impact on purchasing decisions

(PoS) Media owners and agencies have made significant headway in recent years in understanding the true value of retail media channels.
There is potential for conflict of interest between the retailer selling the media and the CPG/FMCG buying the media which is why retailers often engage a third party media owner to operate and sell media space on their behalf.

Retail media challenges

- Audience measures: There are several methods for evaluating the audience for retail media, whether total footfall, segmented audiences or sales uplift attributed to retail media channels
- Buying process: Dependent on the retailer, product, sales cycle and retail media channel etc., there different media sales cycles to fit the particular requirement

Retail media agencies

Due to the specialized nature of Retail Media programs, advertisers are increasingly turning to dedicated Retail Media agencies to facilitate shopper-targeted campaigns. Retail Media agencies help connect retailers such as Walmart and Sam's Club with brands that are interested in presenting their message to consumers while they are navigating the path to purchase

Retail media networks

Retail media networks are channels spanning individual retailers or a multitude of retailers. They can range from static posters, POS material, audio, visual/digital and many things in between. Networks can therefore provide narrow cast and broadcast audience buying solutions. As shoppers spend time in stores, it becomes difficult for them to avoid in-store advertising and this can have real benefits for advertisers, who not only can ensure their campaigns are seen, but that they can also be acted upon, especially if the advertised product is available in the store.
Retail media networks now offer considerable levels of accountability in providing audience measurement techniques in the same way as traditional broadcast or print media.

RETAIL PROMOTION BUDGET

Establishing the total promotion Budget:

One of the most difficult marketing decisions facing companies is how much to spend on promotion. This it is not surprising that industries and companies very considerably in how much they spend on promotion. Promotional expenditures might amount to 30to50% of sales in the cosmetics industry and only 10 to 20% in the industrial equipment industry. Within a given industry, low-and high-spending companies can be found. How do companies decide on their promotion budget? We will describe four common methods used to set a promotion budget.
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. It leads to an uncertain annual promotion budget, which makes long-range market communication planning difficult.

RETAIL CUSTOMER SERVICE

We have all felt the growing frustration of waiting unnecessarily, being ignored or facing inefficiency when shopping. In these tough times, customers are more and more likely to reject bad service when a competitor can offer the same products and price without the hassle. Retailers can no longer view customer service as an option and providing a positive retail customer experience is vital. A coherent and successful retail service model is the differentiating factor between a successful and unsuccessful business.
Based upon research conducted by Customer Champions, on behalf of Skill smart Retail, and utilizing interviews with a range of retailers such as Waitrose and Marks & Spencer through to outstanding

independent retailers, this article begins to cover some of the findings when it comes to retail customer service.

Various Research Shows that -

- Customer service is a vitally important differentiator across the retail industry. Regardless of whether the customer proposition is higher value or basic/simple, the challenge is to develop a retail service model that treats each customer as an individual and maintains satisfaction and loyalty levels.
- Retail customer service strategies vary between larger chains and the smaller independents. As you would expect larger retailers tend to have a more formal strategy for the retail customer experience in place, although the overriding factor for both was the general ethos of key senior management / business owner.
- The challenge of directly linking retail customer service to the bottom line was for many an on-going one, with few believing they could now provide that direct link. However, there was a common belief that customer service would remain a key battle ground for many retailers going forward and benchmarking customer service would become a more common process when developing a retail service model.
- Customer service training is encouraged by many retailers with the larger operating more formal training programmes that were supported by strong shop floor observation and feedback. A significant number of retailers also operate some form of reward and recognition scheme based around the retail customer service experience.
- Customer service measurement was often gathered through conducting mystery shopping but many retailers were now looking to supplement this with more direct voice of the customer input

Retail Customer Service Model

Through a combination of desk research and Customer Champions' industry experience a retail specific customer service model has been developed. This was then widely tested with retailers, who agreed it provided a very strong framework from which to deliver an excellent customer service experience.
In outline, the model, focused on traditional 'bricks & mortar' retailing, breaks down into three key layers:

1. Leadership - Many organisations reflect the drive of an individual and their personal focus on the importance of customer service. If this individual is senior within the retail business, it will greatly impact the culture and the emphasis placed on the customer experience. In small companies this will tend to be driven by the owner.
2. Enablers - The way that the retailer's customer service vision is translated through policies and processes onto the shop floor.
3. Customer Journey - The customer journey is described through a variety of touch-points which will vary from business to business. Starting with background research through to complaints handling, it provides a comprehensive checklist for any retailer to use and benchmark its customer service performance.

RECOMMENDATIONS FOR CUSTOMER SERVICE IN RETAIL

Some of the retailers interviewed have proven, and prize-winning, customer service processes. The most common recommendations were:

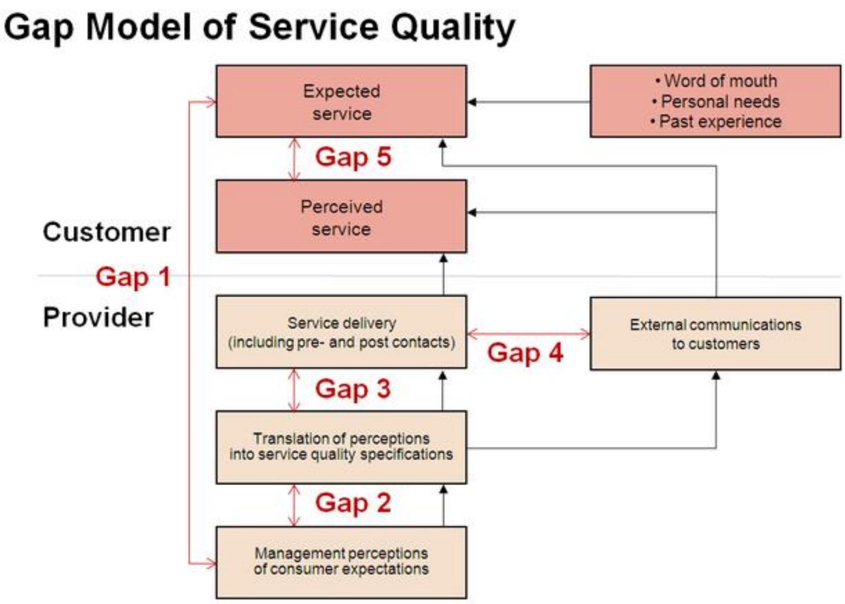
- customer service is a key competitive differentiator and should be seen as a long-term commitment and will not succeed if it is viewed only as a short-term tactic
- ownership of the customer service offer and the need for continuous improvement has to be driven from the top of the organisation – whether the owner-manager or the board
- measure from a customer's perspective to get a true understanding of the retail customer experience
- customer knowledge has to be updated constantly as their views and behaviours change, and that knowledge should be used to drive retail customer service levels forward

- communicate effectively to all colleagues what they individually need to do and what the benefits will be to all

In the past, it seemed retailers had to make a trade-off between models of high-service *or* low-cost; convenience *or* high assortment/ranges (Oxford Institute of Retail Management, 2010, Productivity and Skills in Retailing commissioned by Skill smart Retail). In the new retail marketplace, it seems they will have to forge more integrated solutions by developing a retail service model. So, their future offer might well have to be both high-service *and* value driven.

SERVICE QUALITY GAP MODEL

The gap model (also known as the "5 gaps model") of service quality is an important customer-satisfaction framework. In "A conceptual model of service quality and its implications for future research" (*The Journal of Marketing*, 1985), A. Parasuraman, VA Zeitham and LL Berry identify five major gaps that face organizations seeking to meet customer's expectations of the customer experience.



The five gaps that organizations should measure manage and minimize:

- Gap 1 is the distance between what customers expect and what managers think they expect - Clearly survey research is a key way to narrow this gap.
- Gap 2 is between management perception and the actual specification of the customer experience - Managers need to make sure the organization is defining the level of service they believe is needed.
- Gap 3 is from the experience specification to the delivery of the experience - Managers need to audit the customer experience that their organization currently delivers in order to make sure it lives up to the spec.
- Gap 4 is the gap between the delivery of the customer experience and what is communicated to customers - All too often organizations exaggerate what will be provided to customers, or discuss the best case rather than the likely case, raising customer expectations and harming customer perceptions.
- Finally, Gap 5 is the gap between a customer's perception of the experience and the customer's expectation of the service - Customers' expectations have been shaped by word of mouth, their personal needs and their own past experiences. Routinetransactional surveys after delivering the customer experience are important for an organization to measure customer perceptions of service.

UNIT-IV

Information system in retailing: Acquiring and using information strategies, technology in retail, information sources, retail information system.

Introduction - An important element of the supply chain is the retail. Retail is the place where the products and goods are sold to the end users. Retailer purchases goods and products from producers in large quantities and in turn sells them to consumers in smaller quantities.

Information Flow - It is very important for the retailer to communicate with the supplier as well as the consumer. From the producer, the retail should know the following:

Retailer should know when a new product is getting launched or whether the producer is introducing a new variant for the existing product.

Retailers should get a regular training from the manufacturer about brand new products and fresh technology.

Retailer should have information well in advance about any impending pricing change.

Retailer should also know about sales forecast from producer for given line of product.

Consumer is also as important for the retailer as the producer. From the consumer, the retailer should know the following:

- What attract the consumer to a particular retailer?
- What are good and bad points about a particular retailer?
- How did they hear about a particular retailer?

Retail Management Information System

If the retailer is on top of above information, then he would be able manage his business efficiently. In the current scenario, large retailers have their shop across physical geographies. For them, it becomes very important to centrally manage all shops. Retail management information system precisely does this with help of hardware, software, database and various modules.

Objective

The objective of the retail information systems is as follows:

- An information system should provide relevant information to retail manager regularly.
- An information system should anticipate needs and requirement of the retail manager.
- An information system should be flexible enough to incorporate constant evolving needs of the consumer market.
- An information system should be able to capture, store and organize all the relevant data on a regular and continuous basis.
- The retail Information systems should be aligned with strategic and business plans of the organization. Therefore, it should be able to provide information, which supports and drives this objective.

Characteristics of Retail Information System

The retail information system should have following characteristics:

- Retail Information systems Information systemsRetail Information systems should connect all the stores under the company's
- Retail information system should allow instant information exchange between stores and management.
- Retail information system should handle the various aspect of product management.
- Retail information system should handle customer analysis.
- Retail information system should allow the store manager flexible pricing over a financial year.

Retail Management Information System - Function

- Supporting the basic functions of procurement, storage and delivery, a retail management information system allows a manager to manage customers, inventory, suppliers and product sales.

The system allows you to track purchase orders and update inventory records dynamically. You can analyze cash, check and credit card transactions to reconcile information. Improve efficiency by examining overage and shortages to reveal trends that can be rectified.

Retail Management Information System -Types

- Retail management information systems can be customized for each industry, including, for example, fashion, department store, supermarket, furniture or prescription drugs. Some systems support multiple languages, currencies, tax systems and cost structures. In addition, some retail management information systems can support different business models such as franchise, consignment, direct sales or online.

Retail Management Information System - Benefits

- Integration between payments, inventory and transactions improves operations and reduces costs by preventing duplicate entries. By tracking inventory effectively you can more quickly respond to customer requests. By being able to respond expediently you can also improve service, expand your customer base and increase profits. Accessing data easily allows you to identify opportunities to improve waste reduction, recycling materials and choosing environmentally friendly packaging. These strategies enable a profitable business. System safeguards ensure adherence to legal restrictions on pricing, promotion and other policies

Role of Retail Information System

Retail information system should support basic retail function like material procurement, storage, dispatch, etc. It should allow the manager to monitor sales of product mix and daily sales volume. An information system should help in inventory management.

Variety of Retail Information System

Retail information system is applicable to different types industry within retail management. An information system can be developed to manage fashion store, pharmacy, a grocery store as well as a toy store.

Indian Retail Sector

Indian retail sector has been growing by leaps and bounds in last decade or so. One research suggests that it will grow to $ 785 billion by 2015.

Technology is and will play an important role in the Indian retail sector. Various groups in organized as well as the unorganized sector have taken to IT for supporting this growth.