MEASI INSTITUTE OF MANAGEMENT
CHENNAI-14
Approved by All India Council of Technical Education and
Affiliated to the University of Madras, ISO 9001:2015 Certified Institute

RETAIL MARKETING COURSE MATERIAL

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VISION & MISSION STATEMENTS

VISION;

- To emerge as the most preferred Business School with Global recognition by producing most competent ethical managers, entrepreneurs and researchers through quality education.

MISSION;

- **Knowledge through quality teaching learning process**; To enable the students to meet the challenges of the fast challenging global business environment through quality teaching learning process.
- **Managerial Competencies with Industry institute interface**; To impart conceptual and practical skills for meeting managerial competencies required in competitive environment with the help of effective industry institute interface.
- **Continuous Improvement with the state of art infrastructure facilities**; To aid the students in achieving their full potential by enhancing their learning experience with the state of art infrastructure and facilities.
- **Values and Ethics;** To inculcate value based education through professional ethics, human values and societal responsibilities.

PROGRAMME EDUCATIONAL OBJECTIVES (PEOs)

PEO 1; Placement; To equip the students with requisite knowledge skills and right attitude necessary to get placed as efficient managers in corporate companies.

PEO 2; Entrepreneur; To create effective entrepreneurs by enhancing their critical thinking, problem solving and decision-making skill.

PEO 3; Research and Development; To make sustained efforts for holistic development of the students by encouraging them towards research and development.

PEO4; Contribution to Society; To produce proficient professionals with strong integrity to contribute to society.

Program Outcome;

PO1; Problem Solving Skill; Apply knowledge of management theories and practices to solve business problems.

PO2; Decision Making Skill; Foster analytical and critical thinking abilities for data-based decision making.

PO3; Ethical Value; Ability to develop value based leadership ability.

PO4; Communication Skill; Ability to understand, analyze and communicate global, economic, legal and ethical aspects of business.

PO5; Individual and Leadership Skill; Ability to lead themselves and others in the achievement of organizational goals, contributing effectively to a team environment.

PO6; Employability Skill; Foster and enhance employability skills through subject knowledge.

PO7; Entrepreneurial Skill; Equipped with skills and competencies to become an entrepreneur.

PO8; Contribution to community; Succeed in career endeavors and contribute significantly to the community.

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Subject Code	Subject Name	L	T	P	S	C
PMF19	**RETAIL MARKETING**	**3**	**0**	**0**	**0**	**3**

	Course Objectives	Program Outcomes
C1	To educate students about current retailing trends and strategies.	PO6
C2	To develop the students towards managing the retail stores and organizations.	PO5,P06
C3	To identify the nuances of visual merchandising and its elements	PO4,PO6
C4	To know the consumer purchase decision process in the context of organized retailing.	PO4,PO6
C5	To emphasis on global retailing strategies	PO4
	SYLLABUS	

Unit. No.	Details	Hours
Unit I	Retailing – Definition, scope and importance in the globalized era, organized and unorganized retailing, emerging trends in retailing – etailing, mega shopping malls, the modern retail store. Major types of Retail	09

	Organizations – corporate chains, voluntary chains, retail cooperatives, franchise organizations and merchandizing conglomerates / retail store types / retail classification of stores, restaurants and service providing offices.	
Unit II	The Retail Store - Retail stores management / Roles and 9 responsibilities of retail store managers / Human resource management – recruiting, hiring, training and development, performance management, payroll, work place scheduling / Store business operations – materials management, coordination with purchase department / finance and accounts / Problem solving / Safety and security.Store Essentials – Classification of grocery items / Store Essentials – Location / Store designs / Display accessories / Store atmospherics / Developing own brands / The power of mega retailers over manufacturers / Dimension attributes and its components that affect retail outlet selection.	09
Unit III	Visual merchandizing components – merchandize as focal point, choice of colours, display themes, display to complement store strategy, spotless cleanliness, frequent change of displays and essentials of good display, lighting / special display kinds – window, marquee, freestanding or island, counter, brand corner, end cap cascade or waterfall displays / Store Exterior – façade, details, texture.Store Aids – Gadgets that aid retailing – barcode readers, credit card swipe machines, money counters, counterfeit detectors, cash register, coin counter, bill strapping machine, money vacuum sealing machine. Graphics and	09

	Signage / Props / POP's / Planogram.	
Unit IV	Retail strategies – Supply chain management - managing material, information and financial flows / critical success factors /drivers, elements and goals / basic retail strategies – low price high turnover, discounted prices across all categories, lifestyle goods value price / exclusive goods premium price strategy / retail formatting / retail mix / building customer loyalty / customer relationship management.Retail Consumer Behavior – Difference between consumer and shopper / Frugal, impulsive, compulsive and tightwad buyers / Sub classification of shopping orientation / Catering to service consumers – gaps model for improving retail service quality / retail research.	09
Unit V	Retail Strategies for Global Growth – Building sustainable global competitive advantage, adapting to local customs and culture, adopting global culture and practices / Different entry strategies – direct investment, joint venture, forming strategic alliances and franchising. Online shopping – different formats, retail convergence.	09
REFERENCE BOOKS		
1.	Berman, B., Evans, J. and Mathur, M., Retail Management: A Strategic Approach, 11th Edition, Pearson, 2011.	
2.	Dunne, P. and Lusch, R., Retail Management, South-Western, 2009.	
3.	Gilbert, D., Retail Marketing Management, 2nd Edition, Pearson, 2006.	

4.	Goldrick, P., Retail Marketing, 2nd Edition, McGraw-Hill Education, 2002		
5.	Miller, D., Retail Marketing, Tilde University Press, 2011.		
E-Sources			
1.	www.thebalancesmb.com		
2.	www.dmnews.com		
Assessment Tools Used			
1.	Assignments	6.	Group Discussion
2.	Internal Assessment Tests	7.	Simulation
3.	Model Exam	8.	Videos
4.	Seminars	9.	Synetics
5.	Case studies	10.	Quiz
Content Beyond Syllabus			
1.	Brand management in retailing		
2.	E-tailing strategies		
Additional Reference Books			
1.	Berman, B., Evans, J. and Mathur, M., Retail Management: A Strategic Approach, 11th Edition, Pearson, 2011.		

2.	Dunne, P. and Lusch, R., Retail Management, South-Western, 2009.	
3.	Gilbert, D., Retail Marketing Management, 2nd Edition, Pearson, 2006.	
	Course Outcomes	
CO.NO	On completion of this course successfully the students will;	**Program Outcomes (PO)**
C319.1	The students would be able to enhance knowledge about current retailing trends and strategies.	PO4, PO6
C319.2	The students would be able to develop insights towards managing the retail stores and organizations.	PO5, PO6, PO7
C319.3	The students will know the significance of visual merchandising strategies.	PO4, PO6
C319.4	The students will develop knowledge on consumer buying behavior.	PO4, PO6
C319.5	The students would be able to understand the importance of global retailing strategies.	PO4

RETAIL MARKETING

UNIT I

Introduction

The word Retail is derived from a French word with the prefix re and the verb tailer meaning "to cut again". Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers. In other words, retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business. Manufacturers engage in retailing when they make direct-to-consumer sales of their products through their own stores (as Bata and Carona shoe companeis, D.C.M. Stores, Mafatlals and Bombay Dyeing) by door-to-door canvas, or mail order or even on telephone.

Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling. A retailer is a merchant or occasionally an agent or a business enterprise, whose main business is selling directly to ultimate consumers for non-business use. He performs many marketing activities such as buying, selling, grading, risk-trading, and developing information about cusotmers wants. Aretailer may sell infrequently to industrial users, but these are wholesale transactions, not retail sales. If over one half of the amount of volume of business comes from sales to ultimate consumers, i.e. sales at retail, he is classified as a retailer. Retailing occurs in all marketing channels for consumer products.

Importance of Retailing The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an important connecting link in a complex mechanism of marketing. Though producers may sell directly to consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist in the line. Therefore, frequently the manufacturers depend on the retailers to sell their products to the ultimate consumers. The retailer, who is able to provide appropriate amenities without an excessive advance in prices of goods is rewarded by larger or more loyal patronage. Economic Justification for retailing All middlemen basically serve as purchasing agents for their customers and as sales specialists for their suppliers. To carry out those roles, retailers perform many activities, including anticipating customers wants, developing assortments of products, acquiring market information and financing. It is relatively easy to become a retailer. No large investment in production equipment is required, merchandise can often be purchased on credit and store space can be leased with no

Down payment or a simple website can be set up at relatively little cost. Considering these factors, perhaps it's not surprising that there are just over a 6 million retail outlets operating across the Indian cities from north to south and from east to west. This large number of outlets, many of which are trying to serve and satisfy the same market segments, results in fierce competition and better values for shoppers.

The general services which a retailer provides are:

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

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

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

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

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

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

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

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

9. The level of retail sales is one of the most useful barometers of the nation's economic health. For example when sales of cycles pick-up, sales of steel and components also increase, as does employment and thus increasing purchasing power. But when sales go down, manufacturers cut back production, unemployment increases and retail sales also goes down. Facilitating Services: In order to carry out functions involving transfer of ownership and physical supply effectively retailers perform a number of facilitating functions i.e. functions relating to standardisation and grading, financing, risk-taking and market information. A retailer of fresh fruits and vegetables has to standardize and grade these to make these acceptable to customers. They establish standards, inspect

goods they receive, and sort them in various classifications. Quite often they purchase in large quantities and then divide them and repack them before selling. When the retailer sells goods on credit he performs finance function. From the moment he sells and collects the last rupee from the customer, when goods are sold on credit, he is said to be performing a financing function.

Another function performed by retailers is that of risk-taking. During the entire time a retailer holds title to particular goods, he must inevitably bear a wide variety of risks. Not only the goods may be destroyed through fire or flood, but also, there is often the danger of theft, deterioration or spoilage. Furthermore, such merchants are also faced with the threat that consumers will not accept their product or will purchase them only at unprofitable prices. He also undertakes risk in handling of fashion goods and other items for which consumer

demand varies greatly from time to time. Since the retailer knows about the wishes of his customers the price, quality and the kind of merchandise available in the market as well as the existing and anticipated style trends, he keeps in stock the goods usually required by customers.

Overview of Retail Sector

All over the world, retailing is undergoing a process of evolution and is poised to undergo dramatic transformation. With special reference to India, the retail sector employs over 10 percent of the national work force but is characterised by a high degree of fragmentation with over 5 million outlets, 96 percent of whom are very small with an area of less than 50 m2. The retail universe doubled between 1986 and 2006 and the number of outlets per 1000 people at an All India Level increased from 4.9 in 1988 to 14.8 in 2006. Because of their small size, the Indian Retailers have very little bargaining power with manufacturers and perform only a few of the flows in marketing channels unlike in the case of retailers in developed countries.

The corner grocer or the Kirana Store is a key element in the retail in India due to the housewives unwillingness to go long distances for purchasing daily needs. Although convenience and merchandise were the two most important reasons for choosing a store, the choice interia varied across product categories. Convenience was indicated by consumers as the most important reason in the choice of groceries and fruit outlets, chemists and life style items while merchandise was indicated as the most important in durables, books and apparel. In recent years, there has been a slow spread of retail chains in some formats like super markets, department stores, malls and discount stores. Factors facilitating the spread of chains are the availability of quality products at lower prices, improved shopping standards, convenient shopping and display and blending of shopping with entertainment and the entry to industrial houses like Goenkas and Tatas into retailing. Thailand is one of the countries whose economy has developed rapidly in recent years. There has been a tradition of independently owned outlets called shop houses. These outlets are run by families, with the shop located on the ground floor and the family's living quarters on upper floors. Thailand's first departmental store opened in 1956 and the first shopping centre in (1967).

Discounts and super stores were introduced in 1989. However, the presence of super market format has been low due to ingrained habit of buying fresh produce. Specialty stores were just emerging in Thailand in mid 1990s. Another country where the development of the retail sector has also followed an interesting path is Brazil. The concept of self service in shopping was introduced to Brazil in 1953 but until 1972, there was no foreign influence in the Brazilian retail sector. Food retailing especially, contained to be Brazilian owned and managed although international innovations were adopted.

Marketing channels is decreasing as the operation of wholesalers is under threat from the direct contact between retailers and suppliers, although few specialized distributors have emerged who provide value added services such as distribution of frozen and chilled food. Summary Retailing is the sale of goods and services to ultimate consumers for personal, non-business use. Any institution may engage in retailing, but a firm engage primarily in retailing is called a retailer.

Retailers serve as purchasing agents for consumer and as sales specialists for producers and wholesaling middleman. They perform many specific activities such as anticipating consumers wants, developing product assortments and financing.

TYPES OF STORES

It is in retailing that very drastic changes have occurred during the last two decades. Some institutions have disappeared whereas newer ones have been added. This process of deletion / addition still continues in newer forms. There are large-scale retailing shops together with very small units, both working simultaneously. They have from hawkers and peddlers, who have no permanent place, to well-organized, settled retail shops like chain stores, departmental stores, etc.

The institutions carrying on the retail business can be classified as under Major Types of Retail Stores Instore-Retaling Non-Store Retailing Franchising 1. Department Stores 1. Direct Selling 2. Super Markets 2. Telemarketing 3. Discount Houses 3. Online Retailing 4. Chain Stores or 4. Automatic vending 5. Multiple Shops 5. Direct Marketing.

Department Stores

These are large scale retail stores selling less than one roof and one control a variety of goods divided into different departments, each of which specializes in an individual merchandise. Converse is of the opinion that a department store is a retail shop handling several classes of goods including fast moving consumer goods, each class being separated from others in management, accounting and location. It is viewed by Clarke as that type of retail institution which handle a wide verity of merchandise under one roof which the merchandise grouped into well-defined departments which is centrally controlled and which caters primarily to women shoppers.

Thus a 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. Recent trends are to add departments for automotive, recreational and sports equipment, as well as services such as insurance, travel advice and income-tax preparation. Department stores are distinctive in that they usually are oriented towards service. They are usually shopping centers.

Classification of Department Stores These stores may be classified either according to ownership or income groups to which they appeal. a) On the basis of ownership these are : (i) The independent; (ii) The ownership group; and (iii) Chain department Stores. 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.

Other stores cater to the needs of the lower income group people. Sometimes there is also to be found what are called leased department stores. Although it appears to most customers that all departments in a department store are owned and operated by the store that is not always the case. The operations of certain departments are sometimes turned over to leases and such departments are called leased departments.

Characteristic Features of Department Stores

The chief features of these stores are: (i) These are integrated stores performing operations in addition to other retail stores such as wholesaling. (ii) Goods are divided into different classes with different locations and management within the store itself. (iii) These stores are distinguished by the nature of goods they self and not by the varieties they keep for example, drug and variety stores carry a wide variety of goods. (iv) The store is a horizontally integrated institution. It brings together under one roof a range of merchandise offerings comparable to the combined offerings of many stores specializing in single or fewer merchandise lines. Location of Department Stores The success of a department store depends much on its location, availability of space, the area and community to be served and ability to attract customers are the important factors to be considered before establishing a store at a particular place. Special Consideration should be given to accommodation so as to allow every possible amusement facilities. Considerable space should also be allotted for show room displaying stores merchandise.

Merits of Department Stores

1. Large department stores buy in large quantities and receive special concession or discount in their purchases. Many of them purchase direct form manufactures and hence, middlemen's charges are eliminated. 2. 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 and at the same time stocking the latest style and fads. 3. Customers can do all their purchases under one roof and it appeals to people of all walks of life. 4. 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. 5.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

Department business organizations are not free from abuses. There are certain specific limitations from which such institutions suffer such as: 1. The cost of doing business is very high due to heavy overhead expenses. 2. Because of their location in a central shopping area they are of not much advantage to the public because goods required at short notice are always purchased from the nearest traders. 3. There is lack of personal touch and personal supervision which is to be found in single line. 4. When hired diligence is substituted for the diligence of ownership, loss and leaks are likely to occur. 5. Many customers abuse the liberal services extended and take advantage of the policy of the customers is always right. 6. The type of salesmanship found in many stores is very poor because of low payments and lack of supervision. The department store which is properly equipped in plant, stock and personnel to carry on a reasonable sales volume and then does a better job in giving values and services, then its competitors are entitled to, and will receive its business profit.

Department Stores are now opening branches in many new areas and making concerted efforts to meet new competition. They have been modernized, redecorated and better services are being developed; and they are being converted to self-service. 4. Super Markets: These are large, self service stores that carry a broad and complete line of food and non-food products. They have central check out facilities. Kotler defines supermarket as a departmentalized retail establishment having four basic departments viz. self-service grocery, meat, produce and diary 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.

Characteristic Features of Super Markets

Chief characteristic features of supermarkets include the following: i. They are usually located in or near primary or secondary shopping areas but always in a place where parking facilities are available. ii. They use mass displays of merchandise. iii. They normally operate as cash and carry store. iv. They make their appeal on the basis of low price, wide selection of merchandise, nationally advertised brands and convenient parking. iv. They operate largely on a self-service basis with a minimum number of customer services.

Advantages of supermarkets i. Super markets have the advantage of convenient shopping, permitting the buyer to purchase all his requirements at one place. ii. Super markets also stock a wide variety of items. iii. These markets can sell at low prices because of their limited service feature, combined with large buying power and the willingness to take low percent of profit margins. iv. Shopping time is considerably reduced.

Limitations of Supermarkets i. The large and extensive area required for a super market is not available cheaply in important places. ii. The products which require explanation for their proper use cannot be dealt in through the super markets. iii. Customer services are practically absent. iv. Another limitation of the super market is the exorbitantly high administrative expenses.

15. Discount Houses 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, 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. They range from small open showroom to catalogue type order offices to full line limited service, and promotional stores. They buy their merchandise stocks both from wholesale distributors and directly from manufacturers.

Chain Stores or Multiple Shops A chain store system consists of four or more stores which carry the same kind of merchandise are centrally owned and managed and usually are supplied from one or more central warehouses. A chain store is one of the retail units in chain store system. Chains have been interpreted as a group of two or more reasonably similar stores in the same kind or field of business under one ownership and management, merchandised wholly or largely from central merchandising head quarters and supplied from the manufacturer or orders placed by the central buyers. In Europe, this system is called as Multiple Shops and the American call it as "Chain Stores". Under the multiple or chain shop arrangement, the main idea is to approach the customers and not to draw the customers as it as is practiced in the case of department store. In order to draw more customers, attempts are made to open a large number of shops in the same city at different places.

In India apt example for this retail system are offered by Bata Shoes, Usha Sewing Machines etc., such multiple shops have centralized buying with decentralized selling". Fundamentally, they specialize in one product but with all its varieties or models.

Chief Features of Chain Stores

The chief features of chain stores are: i. One or more units may constitute a chain, ii. They are centrally owned with some degree of centralized control of operation. iii. 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. iv. Many stores are also vertically integrated.

They maintain large distribution centers where they buy from producers, do their own warehousing and then distribute their own stores. Advantages of chain stores or multiple shops i. Lower selling prices. This is mainly possible due to economy in buying operation. ii. Economy and advertising. Common advertisements covering all the units are feasible and this reduces advertisement expenditure. iii. Ability to spread risks. Unlike the department store the principle here is not to "lay all the eggs in one basket". By trial and error, a unit sustaining losses may be shifted to some other place or even dropped.

Non-Store Retailing A large majority - about - 80% - of retail transactions is made in stores. However, a growing volume of sales is taking place away from stores. Retailing activities resulting in transactions that occur away from a physical store are called non-store retailing. It is estimated that non-store sales account for almost 20% of total retail trade.

Following are the five types of non store retailing: direct selling, tele marketing, online retailing, automatic vending and direct marketing. Each type may be used not just by retailers but by other types of organizations as well.

Direct Selling In the context of retailing, 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. Annual volume of direct selling in India is growing fast from the beginning of the 21st century. Like other forms of non-store retailing, direct selling is utilized in most countries. It is particularly widespread in Japan, which accounts for about 35% of the worldwide volume of direct selling. The U.S. represents almost 30% of the total and all other countries the rest. The two kinds of direct selling are door to door and party plan. There are many well known direct-selling companies including Amway, Creative memories and Excel communications. Diverse products are marketed through direct selling. This channel is particularly well suited for products that require extensive demonstration.

Advantages of Direct Selling i. Consumers have the opportunity to buy at home or at another convenient nonstore location that provides the opportunity for personal contact with a sales person. ii. For the seller, direct selling offers the boldest method of trying to persuade ultimate

consumers to make a purchase. iii. The seller takes the product to the shoppers home or work place and demonstrates them for the consumer.

Limitations of Direct Selling i. Sales commissions run as high as 40 to 50% of the retail price; of course, they are paid only when a sale is made. ii. Recruiting sales people - most of whom are part timers are difficult tasks, iii. Some sales representatives use high pressure tactics or are fraudulent. Telemarketing Sometimes called 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. Many products that can be bought without being seen are sold over the telephone.

Examples are pest control devices, magazine subscriptions, credit cards and club memberships. Telemarketing is not problem 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. Further some telemarketers rely on questionable or unethical practices. For instance firms may place calls at almost any hour of the day or night. This tactic is criticized as violating consumers right to privacy. To prevent this, some states have enacted rules to constrain telemarketers activities. Despite these problems, telemarketing sales have increased in recent years. Fundamentally, some people appreciate the convenience of making a purchase by phone. 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. The future of telemarketing is sure to be affected by the degree to which the problems above can be addressed and by the surge of online retailing.

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. 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. Whatever their differences, e-retailers are likely to share an attribute. They are unprofitable or best, barely profitable. Of course, there are

substantial costs in establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts. The rationale was that all available funds should be used to gain a foothold in this growing market. Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future.

Consumers shopping intentions in 2005 placed the following goods and services at the top of the list: books, music and videos, computer hardware and software, travel and apparel. Of course, given that change on the Internet occurs, these categories soon may be surpassed by others –

perhaps groceries, toys, health and beauty aids, auto parts or pet supplies. Automatic vending 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 presold brands with a high rate of turnover.

Vending machines can expand a firms market by reaching customers where and when they cannot come to a store. Thus 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. The outlook for automatic vending is uncertain. The difficulties mentioned above may hinder future growth. Further, occasional vending-related scams may scare some entrepreneurs away from this business.

Direct Marketing There is no consumers on the exact nature of direct marketing. In effect, it comprises all types of non-store retailing other than direct selling, telemarketing, automatic vending and online retailing. 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 marketers contact consumers through one or more of the following media: radio, TV, newspapers, magazines, catalogs and mailing (direct mail).

Direct marketers can be classified as either general - merchandise firms, which offer a variety of product lines, or specialty firms which carry - only one or two lines such as books or fresh fruit. Under the broad definition, the many 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. • Televised shopping - in which various categories of products are promoted on dedicated TV channels and through infomercials, which are TV commercials that run for 30 minutes or even longer on

an entertainment channel. On the plus side, direct marketing provides shopping convenience. In addition, direct marketers enjoy
comparatively low operating expenses because they do not have the overhead of physical stores. Direct marketing has drawbacks. Consumers must place orders without seeing or touching the actual merchandise. To off-set this, direct marketers must offer liberal return policies. Furthermore, catalogs and to some extent, direct mail pieces are costly and must be prepared long before they are issued. Price changes and new products can be announced only through supplementary catalogs or brochures. Direct marketing's future is difficult to forecast, given the rise of the Internet. The issue is whether or not firms relying on direct marketing can achieve and sustain a differential advantage in a growing competition with online enterprises.

Franchising A franchising operation is 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.

For the manufacturers, the franchising is beneficial in these directions: i. it allows them to conserve capital. ii. the distribution system is established in the shortest possible time,

iii.Marketing costs are lowest and iv. Expenses of fixed overhead such as administrative expenses of the personnel of the company owned units are cut down substantially. Franchising exists in such products as soft drinks, automobiles and parts, business services, dry cleaning etc. The franchisee should also: i. make reference check from the financial institutions. ii. make inquiries about the product, its quality, appeal, exclusiveness, competitiveness and effectiveness in bringing in repeat customers. iii. have enough capital to buy the franchise, iv. be capable of taking supervision work. v. consult the professionals and seek their guidance in legal matters, vi. take risks and invest sufficient time.

FDI in Retail in India

FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy

How FDI can come in India?1. Franchise Agreements :• Easiest track & FDI is allowed with the approval of the RBI under the FEMA• Pizza Hut, Mango, Nike, Marks & Spencer and many more2. Cash And Carry Wholesale Trading -• 100% FDI is allowed in wholesale trading• Wholesaler deals only with smaller retailers and not Consumers• Metro AG was the first global player to enter India through this route 3. Strategic Licensing Agreements• Foreign brands give exclusive licenses and distribution rights to Indian companies & through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees•

Manufacturing and Wholly Owned Subsidiaries• Foreign brands that have wholly-owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail• For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Pvt ltd

FDI in Retail - Indian retail sector is highly fragmented with 97 % of its business being run by the unorganized retailers• Largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India's GDP• FDI in single-brand retailing was permitted in 2006, up to 51 per cent of ownership•

Pros and Cons of allowing FDI in retail

Benefits of FDI in retail - Inflow of investment and funds. Would give rise to cut-throat Improvement in the quality of competition rather than promoting employment. incremental business. Generating more employment. Promoting cartels and creating- Increased local sourcing. monopoly. Provide better value to end consumers. Increase in the real estate prices. Investments and improvement in the Marginalize domestic entrepreneurs. supply chains and warehousing. The financial strength of foreign players. Franchising opportunities for local would displace the unorganized players. entrepreneurs. Absence of proper regulatory guidelines- Growth of infrastructure, would induce unfair trade practices like Increased efficiency. Predatory Cost reduction. Implementation of IT in retail. Stimulate infant industries and other supporting industries

UNIT II

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing.

Merchandising presents the products in retail environment to influence the customer's buying decision.

Types of Merchandise

There are two basic types of merchandise −

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

Factors Influencing Merchandising

The following factors influence retail merchandising:

Size of the Retail Operations

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

Shopping Options

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

Separation of Portfolios

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

Functions of a Merchandising Manager

A merchandising manager is typically responsible to −

- Lead the merchandising team.
- Ensure the merchandising process is smooth and timely.
- Coordinate and communicate with suppliers.
- Participate in budgeting, setting and meeting sales goals.
- Train the employees in the team.

Merchandise Planning

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

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

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

Step 3 – Identify Components of Planning.

- **Customers** − Loyal customers, their buying behavior and spending power.
- **Departments** − What departments are there in the retail business, their subclasses?
- **Vendors** − Who delivered the right product on time? Who gave discounts? Vendor's overall performance with the business.
- **Current Trends** − Finding trend information from sources including trade publications, merchandise suppliers, competition, other stores located in foreign lands, and from own experience.

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

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

Merchandise Buying

This activity includes the following –

- **Step 1 - Collect Information** − Gather information on consumer demand, current trends, and market requirements. It can be received internally from employees, feedback/complaint boxes, demand slips, or externally by vendors, suppliers, competitors, or via the Internet.
- **Step 2 - Determine Merchandise Sources** − Know who all can satisfy the demand: vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).
- **Step 3 - Evaluate the Merchandise Items** − By going through sample products, or the complete lot of products, assess the products for quality.
- **Step 4 - Negotiate the Prices** − Realize a good deal of purchase by negotiating prices for bulk purchase.

Step 5 - Finalize the Purchase − Finalizing the product prices and buying the merchandise by executing buying transaction.

- **Step 6 - Handle and Store the Merchandise** − Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.
- **Step 7 - Record the Buying Figures** − Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

Vendor Relations

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

- Purchasing products when required and paying the vendor for it later according to credit terms.
- Getting the latest new products in the market at discount prices or before other retailers can sell them.
- Having a great service of delivery, timeliness of delivery, returning faulty products with exchange, etc.

Merchandise Performance

The following methods are commonly practiced to analyze merchandise performance −

ABC Analysis

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

- **A – Extremely Important Items** − Very crucial inventory control on order scheduling, safety, prompt inspection, consumption pattern, stock balance, refill demands.
- **B – Moderately Important Items** − Average attention is paid to them.
- **C – Less important Items** − Inventory control is completely stress free.

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

Sell-Through Analysis

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

This method is very helpful in evaluating fashion merchandise performance.

Multi-Attribute Method

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

Category Management can be defined as "the distributors' / suppliers' process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value. Thus, a category is a basic unit of analysis for making merchandising decision. In general, a category is an assortment of items that the customer sees as reasonable substitutes for each other. The fundamentals of category management revolve around managing categories as strategic business units. At the core of the category management concept is a focus on a better understanding of consumer needs as the basis for the retailers' and suppliers' strategies, goals and work processes.

Technology plays a key role, as information is a key enabler. The idea is to use this information to tailor the product offering according to consumer needs. The offering is then measured in terms of its sales, cost and returns per square foot. The whole process is aimed at providing customer satisfaction and at the same time, maximizing the returns for the organization. This focus results in a re-evaluation of many prevalent business practices, which may have obstructed a greater understanding of consumer needs and opportunities.

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. For example, for a grocery retailer, aerated drinks may be one category, ready to cook meals, another and health drinks, a third category. Category definition varies from retailer to retailer. 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, 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).

1. 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 purpose of this step is to help the retailer and supplier to develop strategies that capitalize 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. The successful adaptation of category management at Pantaloon shows us how the returns on the particular product/category can be maximized by keeping the focus on the customer and creating systems and processes within the organization to aid such a focus.

Store Design Objectives • Consistent with retailers image and strategy • Positive influence on customer satisfaction and purchase behavior • Cost effective • Flexible • Meet needs of disabled.

Tradeoff in Store Design Easy of locating merchandise for planned purchases Exploration of store, impulse purchases.

Types of Store Layouts • Grid • Racetrack • Free Form.

Grid Layout Long gondolas in repetitive pattern. • Easy to locate merchandise • Does not encourage customers to explore store – Limited site lines to merchandise • Allows more merchandise to be displayed • Cost efficient Used in grocery, discount, and drug stores. Grid Store Layout Receiving & storage Fruit Books, magazines, seasonal Cart display area Vegetables Checkouts Entrance Office & customer service .

Racetrack Layout Loop with a major aisle that has access to departments and store's multiple entrances. • Draws customers around the store. • Provide different site lines and encourage exploration, impulse buying • Used in department stores.

Free-Form (Boutique) Layout Fixtures and aisles arranged asymmetrically • Pleasant relaxing ambiance doesn't come cheap – small store experience • Inefficient use of space • More susceptible to shoplifting – salespeople cannot view adjacent spaces. Used in specialty stores and upscale department stores.

Designing a Webpage: Lessons from Store Design • Simplicity matters • Getting around • Prioritize • Design layout based on what you want to accomplish • Follow the standards of the industry leaders.

Space Planning Considerations • Profitability of merchandise • Customer Buying considerations – Impulse products near front – Demand/Destination areas off the beaten path • Physical characteristics of product. • Complementary products should be adjacent • Sales rate – More units of faster selling merchandise need to be displayed.

UNIT III

Visual Communications

Visual merchandising contributes to a brand's personality and the characteristics associated with the brand.The design of the store should reflect this as part of their retail brand strategy. This includes the in-store environment and brand communications used, such as signage and images displayed in-store.These visual elements play a part in building a retail brand and therefore they help a brand differentiate itself from its competitors, create brand loyalty, and allows for a brand to place premium pricing on their products. Part of the brand strategy used in visual merchandising is research into the brand's target market to find out what their customers' values and self-images are. This information can allow the retailer to cater the design of a store and their advertising to match their consumers.

Techniques

Visual merchandising supports retail sales by creating environments to further maximize growth, opportunity, educate customers, and easily stretch brand image.

In order for retailers to gain an important competitive advantage in the marketplace, visual merchandising is an important factor and an effective way of adding value to their brand. Visual merchandising communicates with customers through elements that stimulate their senses such as lighting, music, aromas, and television screens.The environment in which a consumer is in can influence the purchasing decisions they make. Research shows that stores that do not communicate well with their customers, such as the retail store having a poor layout can cause customers to incur psychic costs, and may lead to customers being deterred from shopping again as overall shopping pleasure has been reduced. The physical environment is a primary objective in communicating with customers in retail.

.Many elements can be used by visual merchandisers in creating displays including color, lighting, space, product information, sensory inputs (such as smell, touch, and sound), as well as technologies such as digital displays and interactive installations.

Visual merchandising consists of mainly two techniques; interior and exterior displays, also known as in-store design and window displays. The goal of these two techniques is to attract the attention of consumers, entice them into the store, to keep them in the store as long as possible, and influence purchasing decisions. In-store design is a technique, which can be used to enhance the atmosphere of the store and the overall store environment. Having a visually appealing store design can simulate the representation of the brand and attract customers. Efficient, customer friendly environment makes shopping easier for consumers, which encourages buying and, most importantly, reassures repeat purchasing. The window design technique is a way of communicating with customers, which uses a combination of lighting, colours, props, text, and graphic design to display goods, attract the attention of the customer, and sustain a brand image. The overall goal of the window display for the retailer is to persuade the customer into the store and motivate purchasing.

Interior displays

In-store visual merchandising can be used to capture the attention of consumers whilst they are in the store, an essential component in the buying decision-making process. To capture the attention of the customer, the retailer must consider the customer's needs during this process. Factors that contribute to the overall in-store design include the store layout, store design, point of purchases displays, item display, assortment display, and signage.[16] When applied successfully to a store, these factors can meet the needs of the consumer and provide a positive in-store purchasing environment.

Store layout

The layout of a store is a significant factor for the maintenance of a thriving business, which can help advance sales and profitability. An effective store layout encourages consumers to shop the
entire store and view an extensive assortment of merchandise. The most common forms of store layouts include grid layout, racetrack layout and free form layout. Choosing a store layout depends on the type of store and the nature of the product sold. A grid layout is generally organized in a rectangular shape, which allows customers to shop quickly and maximize shop floor space, ideal for a supermarket or hardware store. A racetrack layout ensures that the consumer only follows one path when browsing the store. This is beneficial in the sense that the consumer will come into contact with every product on the shelf. However, this can irritate customers. Customers may feel that they are being forced to follow a certain path, and can be frustrating when trying to make a quick purchase. Free form layout is a suitable layout for a store that encourages browsing. This type of layout is more relaxed in its structure, which leaves the customer feeling less rushed.

The entrance of the store, otherwise known as the transition zone, is an important area in the store. The term "transition zone" was first coined by retail anthropologist Paco Underhill. This is an area where all shoppers pass on entry into store, and is significant as this zone is where consumers can observe the stimuli and sense the general vibe of the store. Therefore, thoughts and representations a consumer has about the store and the brand depend on this area. When customers enter the transition zone they need time to adjust to the new environment including the lighting, the temperature and other sights and sounds. Higher profit margin items aren't recommended to be placed in that area because customers don't notice it while they are preoccupied with adjusting to the new environmental stimuli.

Colour can be considered as one of the most important variables when it comes to ambiance in retail. Certain colours that can be considered as highly arousing can encourage customers to
make purchases out of impulse. Warm colors such and orange, red, and yellow give consumers a sense of excitement but also provide a sense of anxiety and create a distraction.

Mannequins

Mannequins are used by apparel retailers to display their products in-store and in the window display. They are a tool used to show consumers what their products look like on a person. The mannequins will commonly be styled to match trends as well display the latest products available. ment for the consumers.Point of purchase display

Endcap at the end of a retail aisle

Merchandise must be visible, easy to access, and there must be a range of merchandise to choose from. Having visible merchandise is essential for retailers as consumers not only "buy what they

see but are also able to tangibly engage with the physical product. This creates an emotional connection, which can drive the customer to purchase the product. The physical positioning of the product also increases visibility. Products at eye level also get more attention. “Eye level is buy level”.

Bundling

Bundling is promoting objects that work together as a set. It inspires people how to use the products in their lives and also makes complementary product suggestions. Bundling also directs attention to specific products thereby limiting the product selection presented.

Atmospherics

The atmospherics also have a large influence on the store environment. Visuals such as light and display are not always enough to enhance the overall ambience of the store, and retain customer attention; therefore, other elements such as music and scents can be used.

Light

Light can be used in many ways in retail stores, from highlighting an object or area of a store to simply illuminate the entire store. Lighting can influence the customer's decision making, behavior, and also the overall spatial environment as lighting and ambiance are connected.

Customers become more stimulated when the lighting in the room is considered to be very bright and speeds up the pace at which customers purchase products

Music

The music played within a store can promote a brand's image, and can also aid consumers into making purchase decisions. Music that suits the style of the store and the target audience is an important factor to consider.

Scent

Having a unique scent in a store can differentiate the brand from others. Scents can also trigger emotional responses for example,

- Lavender, basil, cinnamon orange– relaxing, soothing, calming, and reduces anxiety

Exterior displays

Exterior window displays can be used to sell product and entice customers into the store. An eye-catching, innovative window display can promote the brand image.

Window display

Visual merchandising is a multi-sensory tool used by retailers to catch the attention of customers and attract them into a store to make a purchase. The importance of the window display is that it is a touch point consumers have with the brand. By generating interest or curiosity with the window display, a brand can leave an impression on the consumer and furthermore the consumer can figure out the quality and character of the products the brand has to offer.

Colour

Colour is a powerful tool in exterior displays. It can aid creativity for exterior window displays and can have a unique effect on the consumer. Using colors that associate with a certain product or brand representation is also a useful technique when planning window displays. For example, using neutral colors such as green and brown when promoting environmentally friendly products is favorable, as they give off an earthy, relaxing effect; therefore, the consumer perceives those products as environmentally friendly.

Graphics, photography and signage

The use of graphics and photography in window displays is an effective way of communicating information to the consumer. The most common form of communication in window displays is through text and signage, especially when advertising a sale or a special.

Lighting

Lighting is another technique, which can be used to enhance window displays. Lighting can be used to highlight certain products, and create dimension and set the mood for the window display.

Seasonal displays

Adjusting window displays based on seasonal events, calendar dates, and consumerism-based holidays such as Christmas, , and Father's Day can be a useful approach to encourage consumer

purchasing. Choosing products that suit the season to display in the window can remind consumers to purchase gifts and provide gift ideas for the particular holiday.

Fashion trends

Window displays can be used to set trends; therefore, window display designers must always be one step ahead of trends and predict future fashion movements. The merchandise must be able to direct these trends to the target audience, and be able to communicate them in a way so the audience is able to understand.

A floor map helps visual merchandisers to find the best place for garments, according to the color stories of clothes and footwear in the shop.It is a kind of floor plan with merchandise marked. Another valuable tool is a planogram, to determine the visual look of your store's flow.

UNIT IV

Elements of Retail Price

In order to arrive at the retail price, one need to first consider the elements that go into the calculation of the 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: Mark 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 understand this concept with the help of the following illustration. Assume that the cost of the merchandise of an item is ` 200 and the mark up is ` 150. The mark up percentage based on 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 %.

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 markdowns, employee discounts, customer discounts and / or shrinkage.

Markdowns are reductions in the original retail price. Markdowns are discussed in detail later in this chapter, in the section on adjustments to retail prices. Discounts offered to customers and employees who buy the products, also reduce the mark up 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.

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 sand can discourage competitors from entering the market, as the profit margins per time are low. To be effective, it needs economies of scale, either in manufacturing, retail or both. It also depends upon potential customers being price sensitive about particular item and perhaps, not perceiving much difference between brands.

➢ Leader pricing: Here, the retailer bundles a few products together and offers them at a deep discount so as to increase traffic and sales on complementary items. The key to successful leader pricing strategy is that the product must appeal to a large number of people and should appear as a bargain. Items best suited for this type of pricing are those frequently purchased by shoppers, e.g., bread, eggs, milk, etc. ➢Price Bundling: Here, the retailer bundles a few products together and offers them at a particular price. For example, a company may sell a PC at a fixed price and the package may include a printer and a web camera. Another example is that of the Value Meal offered by McDonald's. Price bundling may increase the sales of related items. ➢ Multi-unit Pricing: In multi-unit pricing, the retails 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. For example, a retailer may offer one T-shirt for ` 255.99 and two T- shirts for ` 355.99. Multi-unit pricing usually helps move products that are slow moving.

➢ Discount pricing: It is used as a strategy by outlet stores who offer merchandise at the lowest market prices. ➢ Every Day Low Pricing Every Day Low Pricing or EDLP, as it is popularly known, is a strategy adopted by retailers who continually price their products lower than the other retailers in the area. Two famous examples of EDLP are Wal- Mart and Toys "R" Us, who regularly follow this strategy. ➢ Odd Pricing Retail prices are set in such a manner that the prices end in odd numbers, such as 99.99 or 199, 299etc.

A specific combination of promotional methods used for one product or a family of products. Elements of a promotion mix may include print or broadcast advertising, direct marketing, personal selling, point of sale displays, and/or merchandising. There are five main aspects of a promotional mix. These are: Advertising Presentation and promotion of ideas, goods, or services by an identified sponsor. Examples: Print ads, radio, television, billboard, direct mail, brochures and catalogs, signs, in-store displays, posters, motion pictures, Web pages, banner ads, and emails. 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.

Examples: Sales presentations, sales meetings, sales training and incentive programs for intermediary salespeople, samples, and telemarketing. Can be face-to-face selling or via telephone. 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, trade shows, trade-ins, and exhibitions. 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. Examples: Newspaper and magazine articles/reports, TVs and radio presentations, charitable contributions, speeches, issue advertising, and seminars.

SUPPLY CHAIN MANAGEMENT INRETAIL ORGANISATIONS

The supply chain Management is a set of business activities that manages the movement of products to retail distribution centers and stores and the exchange of information between retailers and vendors. Efficient supply chain provides three benefits 1.Avoid unnecessary stocks 2.Reduced stock outs 3.Tailored assortments 4. Efficiency in SCM

1)Net sales can be improved by providing attractive assortments to customers and always available.2)Net profit margin can be increased by increasing gross margin. This is done by obtaining large quantities of merchandise at lower cost and also selling cheap3)Lower operating cost by planning and coordinating deliveries thus reducing shipping costs.4)Efficient distribution centers reduce expenses. 5)Carry less inventory without stock outs saves lots of funds and working capital. This increases assets and inventory turnovers and hence profits.

6. Information Flows: When an item is bought at a store the sales person scans the Universal Product Code on the item packing[UPC] and a sales receipt is generated. The UPC tag is a 13

digit black and white bar code that indicates the Mfr of the item, description of the item, information about discounts , price and stock level of the item, category to which it belongs etc. The info about the transaction is captured at[POS] the point-of-sale and sent to the retailers computer system, where it can be accessed by the planner/buyer for that category.

7. The sales transaction data are also sent to distribution center. When the store's inventory drops to a certain level, more of such items are sent to the store and the info is transmitted to the computer system so the buyer/planner knows the stock level and negotiates price and shipping dates and places an order with the vendor/mfr. The planner also informs the distributor of the

same. When the vendor ships the goods to the distribution center an Advanced shipping notice[ASN] is sent to planner/distributor about the item, quantity, shipping/arrival dates etc. The distributor then arranges for the transport for delivery. After the intimation of Delivery the payment instruction is given by the planner.

8. Data warehouse :Purchase data collected at the point of sale goes into a huge data base known as Data warehouse. This info is accessible on various dimensions and levels. Data can be accessed according to the level of vendor,category,department. I t can also be accessed store wise, division wise or company wise. Finally the data can be accessed by day, month or year. 9. Electronic Data Interchange EDI is the computer to computer exchange of business documents in a structured format. The exchange of data takes place among various depts. in the supply chain like stores, distributor, vendor, corporate office etc. In retail two data transmission standards are used: Uniform communication standard[used for grocery] UCS and 2]VICS- Voluntary Inter Industry Commerce Standard used by other retailing sector.

By this the supply chain can exchange info such as: Purchase orders, order status, Performa, routes, shipping notices, inventory status, promotions and price tags. In larger retail firms, communication within the organization is via intranet which is a local area network that employs internet technology in an organization to facilitate communication and access to information internally. EDI transmissions between retailers and outsiders like vendors and/transporters occurs via extranet which is a collaborative network using internet technology to link

An extranet is an extension of intranet modified to allow access to specified external users. Large companies such as Wal-Mart insert info such as supplier info, confidential info, shipping and packing requirements etc to vendors via the intranet. In order to secure the EDI from info
leaks to unauthorized people retailers have adopted security policy. This is a set of rules that apply to activities involving computer and communication resources that belong to an organization. The objective of the security policy are;-
1]Authentication-The system verifies that the person on the other end is who he claims to be.

2]Authorization:-The system assures that the person at the other end has permission to use.

3]Integrity :-The system assures that the arriving info is the same as that sent, which means the data is not tampered data integrity.

Benefits of EDI:- -Reduces cycle time -Better quality of communication -Less human error in the interpretation of data. EDI is in computer readable form, can be easily analyzed and automated for reordering.

13. Push and Pull supply chains: Pull supply chain is one where order for merchandise is generated at stores level on the basis of POS terminals. The demand for an item pulls it through the supply chain. In push supply chain the merchandise is allocated to stores from the top on the basis of demand forecast. Both have their own ads and disads and most retailers use a combination of both approaches

14. Logistics-Flow Of merchandise: Logistics is the aspect of SCM that refers to the planning, implementation and control of the efficient flow and storage of goods, services and related info from the point of origin to the point of consumption to meet consumer's requirement. Merchandise flow from vendor to distribution center Distribution to stores. Alternatively from vendor to stores.

15. Distribution vs. Direct store delivery: The decision would depend on the type of merchandise, nature of demand, distance and cost factors.

Advantages using a distribution center are:- -More accurate forecasts are possible when retailers combine forecasts for all stores serviced by a distribution center rather than forecasting individually -Stores can carry less inventory -Stores will not run out of stock. -Expensive store space cost is saved. -Fashion apparel and private labels where Direct delivery -Direct delivery is advisable when the number of stores is few. -If many outlets are concentrated in a small are -For perishable goods direct delivery is better. -Where breaking bulk and preparation is not necessary.

17. Distribution Center: Performs the following activities

1]Management Of Inbound Transportation:- -The distributor specifies the time slot the truck has to arrive and the way of unloading. The truck can be fined if late. As the slots will be occupied for different loading /unloading schedule. The cost of transportation may be borne by the vendor or buyer depending on the negotiation

2] Receiving And Checking:- here delivery is acknowledged by signing a form and goods checked for quantity and damage. The UPC labels on the cartons identifies the type and 18. Storing and Cross docking: When the merchandise are not needed immediately they pass through a conveyor to the directed storing area and stored with help of Forklifts. Cross docking is done for merchandise which is prepared for stores and is ready with labels and price tags.

These cartons pass through a different conveyor which leads it to the loading dock heading for stores. Cross docked merchandise stays at distribution center only for a short time.

19. Getting Merchandise floor Ready: Floor ready merchandise is those where big cartons are broken ticketed, marked and ready to be kept on the store shelf. Thus the each piece is identified, price tags put and even with hangars for apparels. The idea lies to see that the stores do not have to do any preparation but just display and sell. These ticketing and marking can also be done at the vendor.

20. Preparing To Ship To Store: The computer system generates a list of items to each store on that day. For each item or carton a pick ticket and shipping label is generated. This is also displayed on the fork lift computer screen. The operator goes to the specific storage area picks the cartons and puts the UPC label and puts the carton on the conveyor system where they are automatically routed to the loading dock for the stores truck. The conveyor carries cartons from three sources i.e. cross docked cartons directly from the vendor,

21. Management Of Out Bound trucks: Since most distribution centers run around 100 trucks per day, the center uses sophisticated routing and scheduling computer systems with GPS that

considers location of stores, route situation, location of trucks to develop efficient transportation. As a result stores are given accurate time of delivery.

22. Reverse Logistics: Returned merchandise mostly from catalogs sales goes back from the stores to the vendors. Since this is tedious and costly as the goods are in open condition. Many big retailers in order to recover the costs sell the returned merchandise through on-line auctions
from eBay without their name tags. There are third party distributions facilitators list the items on eBay sell , pack and ship it to customers.

23. Logistics for catalog and internet sales: Here the work of packing ,marking etc has to be done individually and delivered to the customer directly. This is challenging as the orders are for one or two items.

24. Outsourcing Logistics- Many companies who may not have the infrastructure or do not want to handle Logistics outsource Logistics to third party who provides transportation, warehousing, consolidation of orders and documentation

25. Retailer vendor coordination-For cost effective and timely available of goods the communication between the above two with respect to requirements, sales forecast, fast moving/slow moving items and categories are very important.

26. Using EDI to reduce inventory- Since EDI is computerized, fast and precise it helps in preventing losses due to delays in ordering or delivery. It also helps in delay due to non clarity in requirements. If it has to prevent losses or over inventory then EDI should be combined with other collaborative such as sharing info of planning and replenishment.

27. Sharing Information to reduce Inventory- If vendors know the forecasting of increased or decreased store requirement in advance ,they can prepare themselves to meet the demand.-Sharing sales data of previous years as well as forecast will help the vendor. For eg, the Data warehouse available with wal-mart called Retail-link provides vendors with two year sales history and inventory levels for each of their products in each of walmart's 5000 stores.

28. Vendor Managed Inventory(VMI)-Vendor-managed inventory (VMI) is a family of business models in which the buyer of a product provides certain information to a supplier of that product and the supplier takes full responsibility for maintaining an agreed inventory of the material, usually at the buyers consumption location (usually a store). A third-party logistics provider can also be involved to make sure that the buyer has the required level of inventory by adjusting the demand and supply gaps.

29. Collaborative Planning, Forecasting and Replenishment[CPFR]-The CPFR methodology is developed by Voluntary Interindustry Commerce Standards[VICS] and adopted in Europe. The nine step process enhances the coordination of all trading parties in a supply chain. 1. Develop Front End Agreement 2. Create the Joint Business Plan 3. Create the Sales Forecast 4. Identify Exceptions for Sales Forecast 5. Resolve/Collaborate on Exception Items 6. Create Order

Forecast7. Identify Exceptions for Order Forecast 8. Resolve/Collaborate on Exception Items 9. Order Generation

30. RFID- Radio frequency identification is a technology that allows an object to be identified at a distance using radio waves. The devices are inserted into containers cartons and labels which tracks where an item is in the supply chain and where it is stored.- Advantages are:- -Reduce labor cost in stores -Inventory savings -Reduces theft and shrinkage.

UNIT V

What is e-retailing Shopping through the Internet and other media forms. Anything anywhere at the click of a button. Anything anywhere refers to products and services Commonly known as e-tailing, electronic retailing.

E-retailing : E-retailing is B2c(business to customers)business model that executes a transaction between businessman and final customer . Subset of e-commerce . e-tailers Retailers who sell over the Internet

5. Electronic Retailing - Size and Growth of the B2C Market . Reported amounts of online sales deviate substantially based on how the numbers are derived

PROCESS: 1. Online visitor of the site - Pick up the items to be purchased. Confirming / finalizing -Item list selected and checkout. Enter the credit / debit card / Pay Pal information -Make the payment. User payment information - Checked via payment gateway. The payment will be credited to retailer account - Order confirmation is shown to the visitor along with order

details and shipping information. The visitor will be able to track their order status - SMS / email update will be frequently sent to visitor on the product or service delivery.

Uses :Web Store Front-- Online Catalog -Manage online product listing pages, categories and pricing. Business Intelligence- Analytics Helps understand each step taken by potential customer .Helps in increasing revenues and customer satisfaction

Online sales includes - Computer hardware and software - Consumer electronics - Office supplies -Sporting goods -Books and music - Toys - Health and beauty - Apparel and clothing - Jewelry - Cars -Services - Others

Elements of e-retailing : Combining new technologies with elements of traditional stores and direct mail models. Using new technologies to replace these elements e-mail messages for communication. Transactions on on-line catalogues can replace printed catalogues

AIDA in e-retailing AIDA is a direct mail marketing acronym .Attention - grab the visitor's attention . Interest - pique their interest in your product or site . Desire - build desire for the product . Action - Get them to follow a call to action

Marketing Mix for e-retailing The 4 C's used in e-retailing are Convenience to the customer (Place) Customer value and Benefits (Products) Cost to Consumer (Price) Communication (Promotion)

Characteristics of an e-retailer: Hard work -Entrepreneurial spirit- Careful business planning and willing to take risks -Need for achievement -Self-confidence and passion for the business .

Successful e-retailers across the World :Amazon – www.amazon.com – Books Dell – www.dell.com - Computer hardware Marks and Spencer – www.marksandspencer.com – Clothing, gifts .

Pre-Requisites of e-retailing: Make it easy to buy Provide Good service and Membership incentives . Human communication, chat rooms and bulletin boards .

Benefits of e-retailer to organizations : Increased sales opportunities and decreased transaction costs. Ability to operate 24/7 Ability to reach narrow market segments. Increased speed and accuracy of information exchange. Ability to maintain strong customer relationships

Benefits of e-retail to a Buyer: Wider product availability .wider buying options Ability to shop 24/7 and easy comparison . Quick delivery of digital products Ability to create a one-on-one relationship

Merits of e-retailing 1. Convenience and Wider choice 2. Better value and a Unique gifting opportunity 3. Saves time and strain 4. Know customer preferences.

International Retailing

International Retailing Definition:- Defined " All the activities involved in selling products and services to final international consumers for their personal consumption." "Retail internationalization is the management of retail operations in market which are different from other in their regulation, economic development, social conditions, cultural environment and retail structures." Transferring retail operations, concept, management expertise & buying

function across national borders. Global retailing is now valued at $ 7 Trillion (Source:2011 Global Retail Report, Deloitte).

Internationalization Concept:- "It is the act of crossing international boundaries with business interests ."Choices of Internationalization:- Self-Start Entry. Acquisitions & Mergers. Joint Ventures. Franchising. Exporting.

Reasons for Going International• PUSH FACTORS:- are Pro-active reasons, are Reactive reasons, are motivating forces which compulsions of domestic attract business. E.g. market like saturation of Profitability & Growth market, Unskilled prospects. manpower etc.

Process Of Internationalization

Licensing contractual agreement in which one firm provides access to some of its patents, trademarks, or technology to other firms in exchange for fee or royalty. Export via agent or distributor Firm uses export as "Vent" for its surplus production and may have no long run commitment to the international market. Export through own sales representative or sales subsidiary. Firm sets a separate export department to manage sales and production, tailoring of product design as per export market.

Local Packaging and or Assembly Involving in Host country Factor market, dealing with environmental variables such as cultural attitudes, wage rate, workers expectations. Foreign Direct Investment Establishes production line in Host country with prescribed FDI norms.

Globalization Concept:- "Integration with world economy or the process of integration of the world into one huge market." I.M.F Definition:- "The growing interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services and of international capital flow and also through more rapid and widespread diffusion of technology." The firm commits itself with several manufacturing locations around the world.

Multi-national & Trans-national Retailers• Multinational Retailers:- • Transnational Retailers:- The retailer operates in The retailers develop a more than one country and world class format that is adapts its offering to fit flexible enough to adapt to that country. local markets.

ENTRY METHODS

FRANCHISING

Franchising is a form of licensing wherein the franchiser exercises more control over franchisee. The franchiser supplies the main part of the product, and provides the following services to the franchisee:

1. TRADEMARKS

2. OPERATING SYSTEMS

3. PRODUCT, &

4. BRAND NAME

4. JOINT VENTURE

Venture Originates From Adventure, which means NEW, either market or technology or environment. A joint venture is a binding contract between two venture partners to set up a project either in home country or host country or a third country. In this case both parties are committed to joint risk taking and joint profit sharing. For example, The Taj group of hotels has a joint venture in Russia for setting up Five Star Hotels. Mahindra & Mahindra has recently entered in to a joint Venture with Renault to manufacture cars.

A large number of joint ventures have been miserable failures in the past. In the initial stage every venture promises excellent opportunities to both the venture partners. However, when the operation actually starts, certain functional level grievances and issues become inevitable. Therefore, it is absolutely necessary for both the venture partners to understand all the aspects of management, investment and regulations of the countries where they operate. The business units should have clear guidelines and operation manuals wherein the role of every one should be clearly defined. Hence, a joint venture is "binding" between two partners from different backgrounds with an understanding, commitment and mutually rewarding experience to work together.

Company support systems like advertising, training of employees, quality assurance are also involved in franchising. McDonald, Dairy Queen, Domino's Pizza and KFC are the known franchise brands. NIIT & Patch have appointed franchisees in Africa, south East Asia, Gulf countries and China. Hotels like The Hilton and Marriott are well known operators in hotel sector. All the investments on premises, HR, operations and promotions are totally borne by the franchisees.

In practice the franchiser is determined to maintain a standard throughout the world in terms of quality brand logo and symbol. Still the product is adaptable depending on the socio-cultural background of the country.