

Retail Management

**VI -Semester BBA
Bangalore University**

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M.K 6.6 RETAIL MANAGEMENT

OBJECTIVE

The objective is to enable students to acquire skills in Retail Management.

Unit 1: INTRODUCTION TO RETAILING 10 Hrs.

Definition – functions of retailing - types of retailing – forms of retailing based on ownership. Retail theories – Wheel of Retailing – Retail life cycle. Retailing in India – Influencing factors – present Indian retail scenario. Retailing from the International perspective

Unit 2: RETAIL CONSUMER BEHAVIOUR 12 Hrs.

Buying decision process and its implication to retailing – influence of group and individual factors. Customer shopping behaviour - Customer Service satisfaction. Retail planning process – Factors to consider – Preparing a complete business plan – implementation – risk analysis.

Unit 3: RETAIL OPERATIONS 12 Hrs.

Choice of Store location – Influencing Factors, Market area analysis – Trade area analysis – Rating Plan method - Site evaluation. Retail Operations: Store Layout and visual merchandising – Store designing – Space planning, Retail Operations - Inventory management – Merchandise Management – Category Management.

Unit 4: RETAIL MARKETING MIX 12 Hrs.

Retail marketing mix –Introduction. **Product** – Decisions related to selection of goods (Merchandise Management revisited) –Decisions related to delivery of service.

Pricing – Influencing factors – approaches to pricing – price sensitivity - Value pricing – Markdown pricing.

Place – Supply channel – SCM principles – Retail logistics – computerized replenishment system – corporate replenishment policies.

Promotion – Setting objectives – communication effects - promotional mix. Human Resource

Management in Retailing – Manpower planning – recruitment and training – compensation – performance appraisal.

Unit 5: IMPACT OF IT IN RETAILING 10 Hrs.

Non store retailing (E tailing) The impact of Information Technology in retailing - Integrated systems and networking – EDI – Bar coding – Electronic article surveillance – Electronic shelf labels – customer database management system. Legal aspects in retailing. Social issues in retailing. Ethical issues in retailing.

SKILL DEVELOPMENT:

- Draw a retail life cycle chart and list the stages
- Draw a chart showing a store operations
- List out the major functions of a store manager diagrammatically
- List out the current trends in e-retailing

BOOKS FOR REFERENCE

1. Barry Bermans and Joel Evans, "Retail Management – A Strategic Approach", 8th edition, PHI Private Limited, New Delhi, 2002.
2. Suja Nair: Retail Management, HPH.
3. A.J. Lamba, "The Art of Retailing", 1st edition, Tata Mc GrawHill, New Delhi, 2003.
4. SwapnaPradhan, Retailing Management, 2/e, 2007 & 2008, TMH
5. K. Venkatramana, Retail Management, SHBP.
6. A. Siva Kumar; Retail Marketing, Excel Books.
7. James R. Ogden & Denise T. Ogden, Integrated Retail Management 2007, Biztantra Cengage

Unit I

INTRODUCTION TO RETAILING

Definition – functions of retailing - types of retailing – forms of retailing based on ownership. Retail theories – Wheel of Retailing – Retail life cycle. Retailing in India – Influencing factors – present Indian retail scenario. Retailing from the International perspective.

Retailing Concepts- Introduction

Retailing is a convenient, convincing and comfortable method of selling goods and services. Retailing, though as old as business, trade and commerce has now taken new forms and shapes. This is because of new management techniques, marketing techniques and also due to ever changing and dynamic consumer psychology.

Meaning of Retailing:

Retailing is one area of the broader term, e-commerce. Retailing is buying and selling both goods and consumer services. With more number of educated and literate consumers entering the economy and market, the need for reading the pulse of the consumers has become very essential.

Retail marketing is undergoing radical restructuring. This is because of increase in gross domestic product, increase in per capita income, increase in purchasing power and also the ever changing tastes and preferences of the people. The entry of plastic money, ATMs, credit cards and debit cards and all other consumer finances, the taste for the branded goods also added for the evolution of retail marketing.

Retail marketing is not just buying and selling but also rendering all other personalized consumer services. With the RM picking up it has given a new look for various fast moving capital goods (FMCG) goods. This not only increased the demand for various goods in the market but also made retail marketing the second largest employment area, the first being agriculture.

Definition and Scope of Retailing:

Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

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

Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth

of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Types of Retail Operations:

Retail operations enable a store to function smoothly without any hindrances. The significant types of retail operations consist of:

Department store

Specialty store

Discount/Mass Merchandisers

Warehouse/Wholesale clubs

Factory outlet

Retail Management System targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

The Emerging Sectors in Retailing:

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores and fast-food chains.

It is the non-food segment, however that foray has been made into a variety of new sectors. These include lifestyle/fashion segments (Shoppers' Stop, Globus, LifeStyle, Westside), apparel/accessories (Pantaloon, Levis, Reebok), books/music/gifts (Archies, MusicWorld, Crosswords, Landmark), appliances and consumer durables (Viveks, Jainsons, Vasant & Co.), drugs and pharmacy (Health and Glow, Apollo).

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

Hypermarts

Large supermarkets, typically 3,500-5,000 sq. ft.

Mini supermarkets, typically 1,000-2,000 sq. ft.

Convenience stores, typically 750-1,000sq. ft.

Discount/shopping list grocer

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

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

Theories of structural changes of retailing:

The evolution of RM has taken a fantastic transition from traditional methods to modern thinking. Starting as primary or traditional retailing with melas, fairs, jataras, weekly bazaars, rural fairs to mom and pop shop kirana stores the journey further reached to public distribution systems (PDS) Khadi outlets, co- operative stores and finally reached the level of shopping malls , bazaars, super bazaars and special bazaars.

Traditional- melas, Fairs, weekly Bazaars, Rural fairs.

Indegenous- mom and pop, kirana stores Neighbor stores.

Contemporary- PDS, Khadi outlets, co-operative stores

Modern Retailing- shopping malls, Bazaars, Super Bazaars, Special bazaars.

Retail store operations:

When retail-marketing space is a best shopping zone for the consumers, it is quite challenging to the businessman. It has to ensure not only product availability but also make the shopping more creative and pleasurable. RM has to take care of various areas like,

Store administration and management

Inventory and stock management

Managing of receipts

Theft management

Customer service

Sales promotion

Employee morale

RM is once again a wonderful economic activity that creates a win win situation. It brings not only the success of the businessman but also the success of both consumer and the employees. This is possible only if there is product and price satisfaction.

1. Store administration and management- this involves cleanliness, discipline, proper documentation, no objection certification for various products and skilful management of products and personnel.

Inventory management- it becomes the duty of the retail manager to check day to day and time to time the stock so as to ensure the product is made available at the counters. Not only the expected product availability has to be maintained but also the quality and shelf life has to be guaranteed. Inventory has to be evaluated correctly and receipts have to be properly maintained. With retail marketing shopping has taken a trendy and pleasurable affair. With all these changes customer service has become the most important service to be rendered in the marketing field. The customer has to be given maximum possible choice with a blend of perfect sales promotion from the side of the retailer. So the overall picture of retail stores promotion has become a exclusive area of management.

All other 5 points to be detailed

Characteristics and trends in retailing

Interaction with the end consumers

It enhances the volume of sales but the monetary value is less

Customer service plays a vital role

There is a tendency for automatic sales promotion

With more outlets retail marketing creates visibility

Location and layout plays a vital role.

Creates employment opportunities to all age groups, gender , irrespective of qualification and religion.

Generates job opportunities in flexi timings.

Retail marketing creates a place, time and possession utility for a product.

History of Retail Management:

Retail marketing started from Mediterranean regions and spread to Egypt and Babylonia. For over 2000 years Retail marketing flourished in Rome. After the destruction of Roman Empire retailing spread across the globe and Romans are the first ones to conduct sophisticated retailing. As sophistication and human relations go hand in hand Retail marketing has got lot to do with the psychology of human behaviour. So retail marketing can be conveniently called has psychology of marketing.

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

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

Indian retailing, thus enjoys many unique features, is still done in a primitive way. Barring a few exceptions, Indian retailers, particularly FMCG retailers, are not in a position to implement world-class practices of supply chain management. The concepts of Quick Response or Efficient Consumer Response are unheard of in Indian retailing. The two bases of modern retailing management, the Electronic Data Interface and a mutually respectable partnership among retailers and suppliers (the manufacturers) are missing to a great extent in Indian context. Also, Indian marketing channel members are performing some unnecessary tasks, which makes the channel structure heavy and inefficient. Though these inefficiencies are observed in all retailing irrespective of industry, the symptoms are more evident in Indian FMCG retailing. Inefficiency in retailing leads to lower profitability of the retailers and lower service outputs for the consumers.

Ways and means to strengthen the position of the retailing industry, doing away with the causes for the inefficiencies, therefore, are to be taken up in an urgent manner. Such measures may include establishment of retailers co-operatives, merger and buy-out, use of technology to the greatest possible extent, setting up of nonstore retailing centers and increase in franchisee network.

Definition, Types, and Examples of Retailing

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

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

The retail transaction is at the end of the chain.

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

Why Is Retailing Is Important?

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

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

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

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

What's the Difference between Retail and Wholesale?

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

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

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

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

How Does The Retail Supply Chain Work?

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

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

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

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

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

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

There are exceptions to this traditional supply chain, however. Some of the world's largest retail companies like Walmart, and [Amazon.com](https://www.amazon.com), for example, are large enough to deal directly with manufacturers, without the need for a wholesaler in the middle of the transaction.

What are Different Types of Retail Stores?

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

Department Stores

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

Grocery Stores and Supermarkets

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

Warehouse Retailers

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

Specialty Retailers

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

Convenience Retailer

Usually part of a retail location which sells gasoline primarily, but also sell a limited range of

grocery merchandise and auto care products at a premium "convenience" price from a brick-and-mortar store

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

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

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

Unit II

RETAIL CONSUMER BEHAVIOUR

Buying decision process and its implication to retailing – influence of group and individual factors. Customer shopping behaviour - Customer Service satisfaction. Retail planning process – Factors to consider – Preparing a complete business plan – implementation – risk analysis.

Buying Decision Process:

The buying decision process is the decision-making process used by consumers regarding market transactions before, during, and after the purchase of a good or service. It can be seen as a particular form of a cost–benefit analysis in the presence of multiple alternatives.

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

There are six stages to the consumer buying process, and as a marketer,

1.Problem Recognition

Put simply, before a purchase can ever take place, the customer must have a reason to believe that what they want, where they want to be or how they perceive themselves or a situation is different from where they actually are. The desire is different from the reality – this presents a problem for the customer.

However, for the marketer, this creates an opportunity. By taking the time to “[create a problem](#)” for the customer, whether they recognize that it exists already or not, you’re starting the buying process. To do this, start with content marketing. Share facts and testimonials of what your product or service can provide. Ask questions to pull the potential customer into the buying process. Doing this helps a potential customer realize that they have a need that should be solved.

2. Information Search

Once a problem is recognized, the customer search process begins. They know there is an issue and they’re looking for a solution. If it’s a new makeup foundation, they look for foundation; if it’s a new refrigerator with all the newest technology thrown in, they start looking at refrigerators – it’s fairly straight forward.

As a marketer, the best way to market to this need is to establish your brand or the brand of your clients as an industry leader or expert in a specific field. Methods to consider include becoming a Google Trusted Store or by advertising partnerships and sponsors prominently on all web materials and collaterals.

Becoming a Google Trusted Store, like CJ Pony Parts – a leading dealer of Ford Mustang parts – allows you to increase search rankings and to provide a sense of customer security by displaying your status on your website.

Increasing your credibility markets to the information search process by keeps you in front of the customer and ahead of the competition.

3. Evaluation of Alternatives

Just because you stand out among the competition doesn’t mean a customer will absolutely purchase your product or service. In fact, now more than ever, customers want to be sure they’ve done thorough research prior to making a purchase. Because of this, even though they may be sure of what they want, they’ll still want to compare other options to ensure their decision is the right one.

Marketing to this couldn’t be easier. Keep them on your site for the evaluation of alternatives stage. Leading insurance provider Geico allows customers to compare rates with other insurance providers all under their own website – even if the competition can offer a cheaper price. This not only simplifies the process, it establishes a trusting customer relationship, especially during the evaluation of alternatives stage.

4. Purchase Decision

Somewhat surprisingly, the purchase decision falls near the middle of the six stages of the consumer buying process. At this point, the customer has explored multiple options, they understand pricing and payment options and they are deciding whether to move forward with the purchase or not. That’s right, at this point they could still decide to walk away.

This means it's time to step up the game in the marketing process by providing a sense of security while reminding customers of why they wanted to make the purchase in the first time. At this stage, giving as much information relating to the need that was created in step one along with why your brand, is the best provider to fulfill this need is essential.

If a customer walks away from the purchase, this is the time to bring them back. Retargeting or simple email reminders that speak to the need for the product in question can enforce the purchase decision, even if the opportunity seems lost. Step four is by far the most important one in the consumer buying process. This is where profits are either made or lost.

5. Purchase

A need has been created, research has been completed and the customer has decided to make a purchase. All the stages that lead to a conversion have been finished. However, this doesn't mean it's a sure thing. A consumer could still be lost. Marketing is just as important during this stage as during the previous.

Marketing to this stage is straightforward: keep it simple. Test your brand's purchase process online. Is it complicated? Are there too many steps? Is the load time too slow? Can a purchase be completed just as simply on a mobile device as on a desktop computer? Ask these critical questions and make adjustments. If the purchase process is too difficult, customers, and therefore revenue, can be easily lost.

6. Post-Purchase Evaluation

Just because a purchase has been made, the process has not ended. In fact, revenues and customer loyalty can be easily lost. After a purchase is made, it's inevitable that the customer must decide whether they are satisfied with the decision that was made or not. They evaluate.

If a customer feels as though an incorrect decision was made, a return could take place. This can be mitigated by identifying the source of dissonance, and offering an exchange that is simple and straightforward. However, even if the customer is satisfied with his or her decision to make the purchase, whether a future purchase is made from your brand is still in question. Because of this, sending follow-up surveys and emails that thank the customer for making a purchase are critical.

Important Factors That Influence The Buying Decision

1. Economic Factor

The most important and first on this list is the Economic Factor. This one is the main foundation of any purchasing decision. The reason is simple people can't buy what they can't afford. The need of a product also doesn't play a role here, but the most important thing is affordability.

2. Functional Factor

The factor is totally about needs, backed by a logic that what makes sense and also fits in the best interest of the customer. This one factor also plays a very important role in the buying decision.

3. Marketing Mix Factors

There are 4 components in the marketing mix, i.e. product, pricing, promotion and place of distribution and each of these components have a direct or indirect impact on the buying process of the consumers. The consumers consider various things like the characteristics of the product, price charged, availability of the product at the required location and much more.

4. Personal Factors

The personal factors include age, occupation, lifestyle, social and economic status and the gender of the consumer. These factors can individually or collectively affect the buying decisions of the consumers.

5. Psychological Factor

When it comes to the psychological factors there are 4 important things affecting the consumer buying behaviour, i.e. perception, motivation, learning, beliefs and attitudes.

6. Social Factors

Social factors include reference groups, family, and social status. These factors too affect the buying behaviour of the consumer. These factors in turn reflect an endless and vigorous inflow through which people learn different values of consumption.

7. Cultural Factors

Cultural factors have a subtle influence on a consumer's purchasing decision process. Since each individual lives in a complex social and cultural environment, the kinds of products or services they intend to use can be directly or indirectly be influenced by the overall cultural context in which they live and grow. These Cultural factors include race and religion, tradition, caste and moral values.

Consumer Buying Behavior Defined:

Consumer buying behavior is the sum total of a consumer's attitudes, preferences, intentions, and decisions regarding the consumer's behavior in the marketplace when purchasing a product or service. The study of consumer behavior draws upon social science disciplines of anthropology, psychology, sociology, and economics.

Definition of Buying Behavior:

Buying Behavior is the decision processes and acts of people involved in buying and using products.

Stages of the Consumer Buying Process

The 6 stages are:

Problem Recognition(awareness of need)--difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat. Can be stimulated by the marketer through product information--did not know you were deficient? I.E., see a commercial for a new pair of shoes, stimulates your recognition that you need a new pair of shoes.

Information search--

Internal search, memory.

External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.

A successful information search leaves a buyer with possible alternatives, the *evoked set*.

Hungry, want to go out and eat, evoked set is

chinese food

indian food

burger king

klondike kates etc

Evaluation of Alternatives--need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, indian gets highest rank etc. If not satisfied with your choice then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.

Purchase decision--Choose buying alternative, includes product, package, store, method of purchase etc.

Purchase--May differ from decision, time lapse between 4 & 5, product availability.

Post-Purchase Evaluation--outcome: Satisfaction or Dissatisfaction. **Cognitive Dissonance**, have you made the right decision. This can be reduced by warranties, after sales communication etc.

After eating an indian meal, may think that really you wanted a chinese meal instead.

Service satisfaction:-

The 5 Ps of Customer Service & Satisfaction

Customer service in its truest essence, is an abstract concept. It involves your customer's perception of the value expected from you and the value you actually delivered. In cases where both of them match, a customer is said to be satisfied with your business.

There are a number of factors that affect customer satisfaction, such as the product's or service's quality, the ambience, price, post purchase services and much more.

For all businesses big and small, it is of common knowledge that customer satisfaction is a necessary and determining factor for customer loyalty. I have condensed the factors that can make or break customer satisfaction for your business, under 5 Ps (Marketers love Ps, don't they?):

Here are the factors to achieve & ensure customer satisfaction

1. Product

The product is your 'core' offering to the customer in return for a price.

It is the first and real value on which the customer judges you and the most important factor on which customer satisfaction depends.

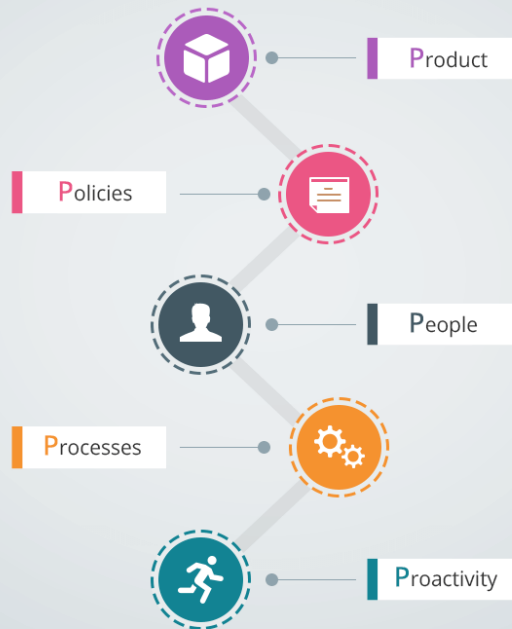
Imagine going to a saloon where the ambience, service and seating are better than the fine dining restaurant you visited last Thursday. The guy offers you excellent coffee and asks you to take a seat and then gives the most horrible haircut of your life. Would you ever be satisfied with the saloon?

2. Policies

Policies are guidelines that direct the company as whole to function in ways to ensure customer satisfaction.

They show the intent of the business towards achieving customer delight. If the policies do not define customer satisfaction, just your sweet talks are not going to cut it.

THE 5Ps OF CUSTOMER SATISFACTION



3. People

People or the employees of the company are the enablers of customer satisfaction in practical. It is not about the number of employees you have; it is about how each one of them reflects your brand in their day to day interactions. One of the driving factors behind *Zappos*' rocket speed growth was the *dedication of their employees to customer service*. You not only need to define customer satisfaction as a strategy but also make it implementable through your people by giving them the required slack and authority.

4. Processes

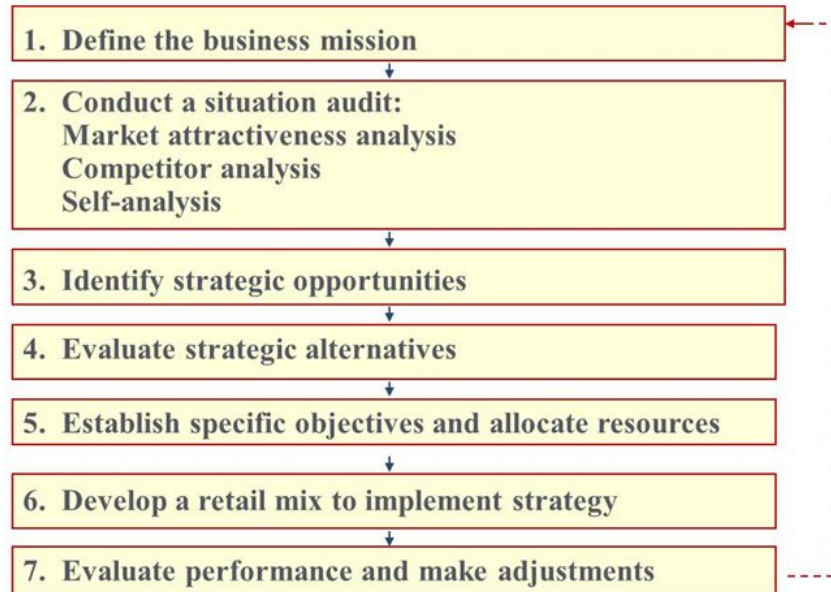
Processes are the implementable steps that make the customer satisfaction strategy, a reality. Customer satisfaction, when implemented to scale, become highly cumbersome to handle. The last thing you would want is your support guys failing on promises they make.

5. Proactivity

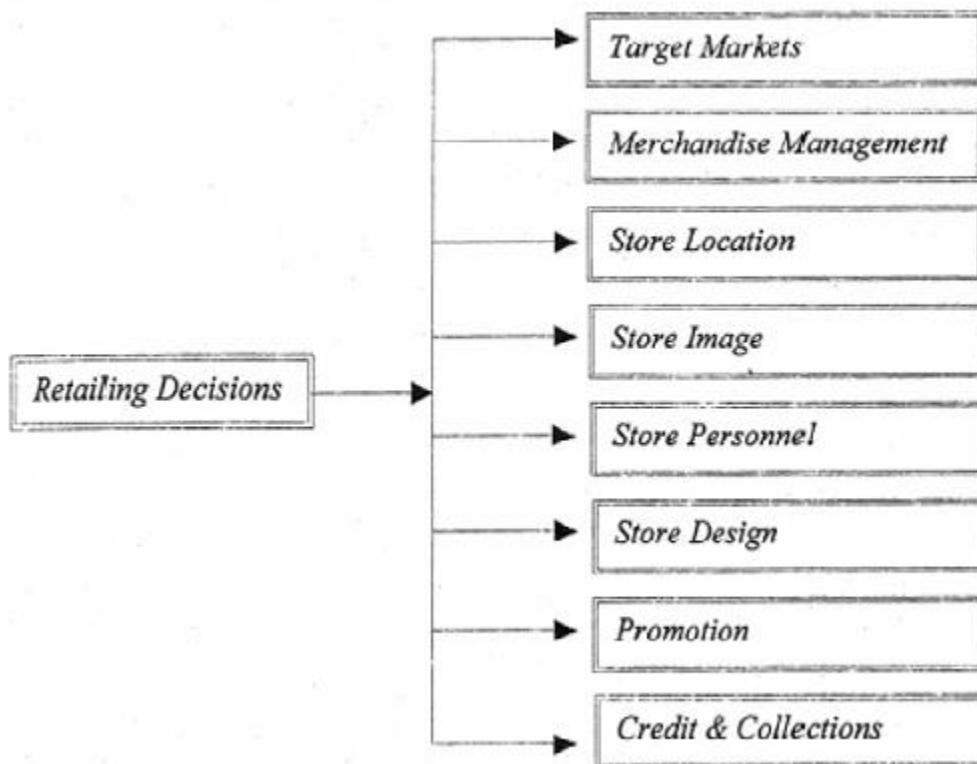
Proactivity is the agility to take steps and adopt changes in your business' structure to ensure customer satisfaction.

It encompasses everything from product development according to the customer's needs,

Stages in the Strategic Retail Planning Process



Factors to consider Retail Market:



Preparing a complete business plan

Research, research, research. ...

Determine the purpose of your plan. ...

Create a company profile. ...

Document all aspects of your business. ...

Have a strategic marketing plan in place. ...

6. Make it adaptable based on your audience. ...

Explain why you care.

RETAIL OPERATIONS

Choice of Store location – Influencing Factors, Market area analysis – Trade area analysis – Rating Plan method - Site evaluation. Retail Operations: Store Layout and visual merchandising – Store designing – Space planning, Retail Operations - Inventory management – Merchandise Management – Category Management.

Choice of Store location – Influencing Factors, Market area analysis

Introduction: Store Location:-

Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighborhood have been identified as satisfactory, a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A thorough study of customers and their shopping behavior should be made before a location is chosen. The finest store in the world will not live up to its potential if it is located where customers cannot or will not travel to shop. The primary role of the retail store or center is to attract the shopper to the location. Alternatively, retailers must take the store to where the people are, either at home or in crowds. Examples of taking the store to where the crowds are include airport location, theme parks and vending machines.

Every retail store strives for its competitive advantage. For some stores, it is price. For others, it is promotional expertise or the special services that are offered. Despite any differences among the various stores that may be competing for the shopper's penny, location offers a unique asset for all stores because once a site is selected, it cannot be occupied by another store. This advantage, however, points to the importance of **location analysis** and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years. In short, location and site selection is one of the most important decisions made by a retail owner.

Factors affecting the establishment of a retail outlet

Proper establishment of a shop is very important for success in retail trade. While deciding the location of a retail outlet the following factors should be taken into consideration:

1. Selection of the area:

Before commencing his business, a retailer should decide about the area which he would like to serve.

While deciding the area of operations, he should examine the population of the area, its nature (permanent or shifting), income level of the people, nearness to big markets, transport and communication facilities, etc. All these factors will reveal the demand potential of the area.

2. Choice of the site:

Once the area is decided, a specific site is selected for location of the retail shop. A retailer may open his shop in special markets or in residential areas.

The shop should be near the consumers in a congested locality or at a place frequently visited by the consumers. The place of location should be easily accessible to consumers.

3. Scale of operation:

A retailer should decide the size of his business. Size will depend upon his financial and managerial resources, capacity to bear risks and demand potential of the area.

4. Amount of capital:

Then the retailer has to decide the amount and sources of capital. The amount of capital required depends on the size of business, terms of trade, availability of credit, cost of decoration of shop and display of goods. Adequate finance is necessary for success in any business.

5. Decoration of shop:

The layout and decoration of shop are decided so that customers find the place attractive and comfortable for shopping. The retailer should arrange and display the goods in an attractive manner to attract more and more customers.

6. Selection of goods:

The goods to be sold are selected on the basis of the nature, status and needs of the customers. Changes in incomes, habits and fashions of customers must be considered in the choice of goods.

7. Source of supply:

The wholesalers and manufacturers from whom goods are to be purchased must be selected carefully. Availability of supplies, reputation of the brand, price range, and distance from the shop, means of transport, etc. should be considered.

8. Sales policy:

The retailer should adopt a suitable sales policy to increase sales and profits. Sales policy and prices should be decided keeping in mind competition and customers.

MARKET AREA ANALYSIS

A key part of any business plan is the market analysis. This section needs to demonstrate both your expertise in your particular market and the attractiveness of the market from a financial standpoint.

This article first look at what we mean exactly by market analysis before looking at how to make a good one for your business plan.

What is a market analysis?

A market analysis is a quantitative and qualitative assessment of a market. It looks into the size of the market both in volume and in value, the various customer segments and buying patterns, the competition, and the economic environment in terms of barriers to entry and regulation.

How to do a market analysis?

The objectives of the market analysis section of a business plan are to show to investors that:

you know your market the market is large enough to build a sustainable business

In order to do that I recommend the following plan:

Demographics and Segmentation

Target Market

Market Need

Competition

Barriers to Entry

Regulation

The first step of the analysis consists in assessing the size of the market.

Demographics and Segmentation

When assessing the size of the market, your approach will depend on the type of business you are selling to investors. If your business plan is for a small shop or a restaurant then you need to take a local approach and try to assess the market around your shop. If you are writing a business plan for a restaurant chain then you need to assess the market a national level.

Depending on your market you might also want to slice it into different segments. This is especially relevant if you or your competitors focus only on certain segments.

Volume & Value

There are two factors you need to look at when assessing the size of a market: the number of potential customers and the value of the market. It is very important to look at both numbers separately, let's take an example to understand why.

Once you have estimated the market size you need to explain to your reader which segment(s) of the market you view as your target market.

Target Market

The target market is the type of customers you target within the market. For example if you are selling jewellery you can either be a generalist or decide to focus on the high end or the lower end of the market. This section is relevant when your market has clear segments with different drivers of demand. In my example of jewels, value for money would be one of the drivers of the lower end market whereas exclusivity and prestige would drive the high end.

Now it is time to focus on the more qualitative side of the market analysis by looking at what drives the demand.

Market Need

This section is very important as it is where you show your potential investor that you have an intimate knowledge of your market. You know why they buy!

Here you need to get into the details of the drivers of demand for your product or services. One way to look at what a driver is, is to look at takeaway coffee. One of the drivers for coffee is consistency. The coffee one buys in a chain is not necessarily better than the one from the independent coffee shop next door. But if you are not from the area then you don't know what the independent coffee shop's coffee is worth. Whereas you know that the coffee from the chain will taste just like in every other shop of this chain. Hence most people on the move buy coffee from chains rather than independent coffee shops.

From a tactical point of view, this section is also where you need to place your competitive edge without mentioning it explicitly. In the following sections of your business plan you are going to talk about your competition and their strengths, weaknesses and market positioning before reaching the Strategy section in which you'll explain your own market positioning. What you want to do is prepare the reader to embrace your positioning and invest in your company.

To do so you need to highlight in this section some of the drivers that your competition has not been focussing on. A quick example for an independent coffee shop surrounded by coffee chains would be to say that on top of consistency, which is relevant for people on the move, another driver for coffee shop demand is the place itself as what coffee shops sell before most is a place for people to meet. You would then present your competition. And in the Strategy section explain that you will focus on locals looking for a place to meet rather than takeaway coffee and that your differentiating factor will be the authenticity and atmosphere of your local shop.

Competition

The aim of this section is to give a fair view of who you are competing against. You need to explain your competitors' positioning and describe their strengths and weaknesses. You should write this part in parallel with the Competitive Edge part of the Strategy section.

The idea here is to analyse your competitors angle to the market in order to find a weakness that your company will be able to use in its own market positioning.

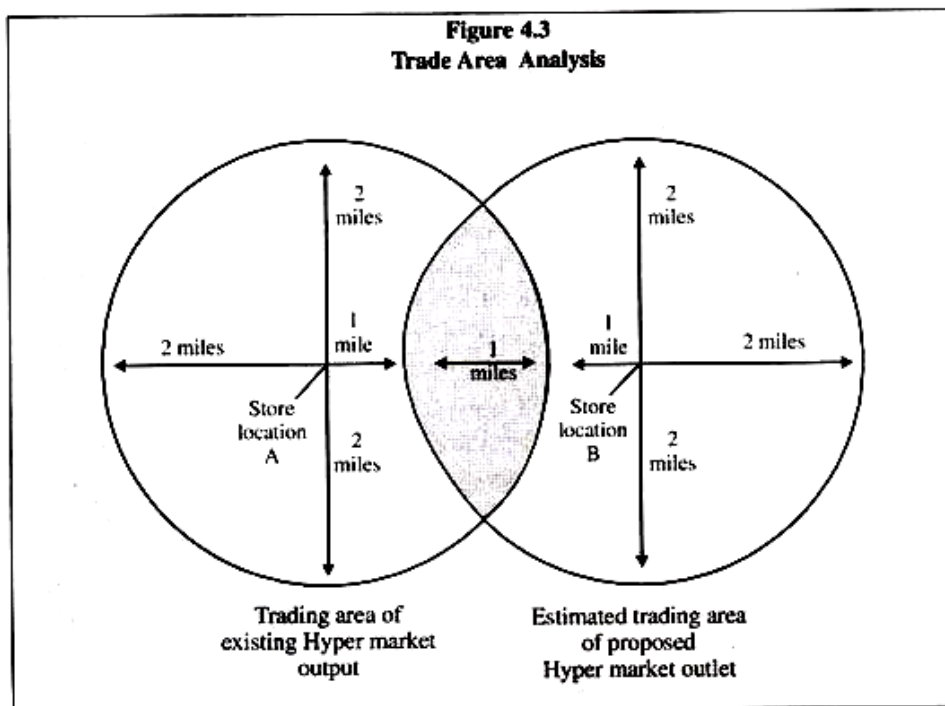
One way to carry the analysis is to benchmark your competitor against each of the key drivers of demand for your market (price, quality, add-on services, etc.) and present the results in a table.

Trade Area Analysis

Essentially, trade area analysis is a methodology, process or technique that provides a basis for understanding, visualizing and quantifying the extent and characteristics of known or approximated trade areas.

A trading area is a contiguous area from which a retailer gets customers for the merchandise he is selling. A trade area may be a town, city, district, state, and country or even beyond the country's boundaries. The trade area may be divided into few layers (zones) depending upon the size and operations of the store, its location, merchandise offered and services offered.

Since most of the retail sales especially in big cities take place at stores, the selection of the store location and analyzing trade area becomes essential.



Retailers emphasize on trade area analysis because of the following reasons:

- (i) A detailed analysis of trade area provides the retailer a picture about demographic and socio-cultural aspects of consumers. For a new store, the analysis of trade area becomes necessary to understand the prevailing opportunities and threats (if any) that may be a success path for new entrant.
- (ii) It helps in identifying the consumer demographics and socio-economic characteristics.
- (iii) It helps in assessing in advance the effects of trade area overlapping.
- (iv) It helps in highlighting geographic weaknesses. For example, trading area analysis reveals that people from trans-river hesitate to come to city shopping areas due to pickpockets and thieves in evening. Further, comprehensive study reveals the fact that this is because of improper lighting arrangements and absence of police personnel. Therefore, shopping center could exert political pressure to make the area well lit and crossing safer.

- (v) It provides opportunity to understand and review the media coverage patterns.
- (vi) It helps in locating better site location by understanding the existing trade areas around the potential locations.
- (vii) It helps in understanding customers profile in terms of gender, age, income level, consumption pattern, standard of living, local requirements etc.

Issues Covered Under Trade Area Analysis:

Trade area analysis is known as one of the most critical elements in retail strategic planning process.

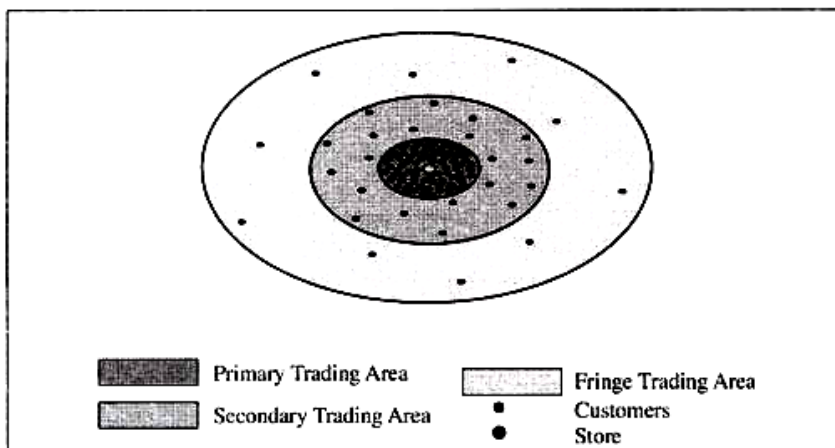
Selecting store location is a long term and non-repetitive decision that involves following issues:

- (i) Mapping of existing customers with regard to the present stores.
- (ii) It covers calculating the estimate time taken by nearby customers to various existing stores.
- (iii) Determination of all possible variables that may have impact on your store and trading areas.
- (iv) To develop strategies to forecast trade areas around all possible available sites.
- (v) To use the collected data to analyze market potential, developing customer service levels and ultimately making decisions about site location.

The Size and Shape of Trading Areas:

Generally, a trading area may be divided into primary, secondary and tertiary zones. The primary zone is the first layer of any trading area that provides 60-65% of its customers. It is close to the store and includes nearby colonies and residential areas. The secondary zone comes after primary zone but before the tertiary zone. It is the geographical area that contains around 20% of the total customers of the respective store in terms of customer sales and merchandise demanded.

**Figure 4.4
The Layers of Trading Area**



The tertiary zone commonly known as outermost circle contains the remaining 10- 15% customers, who occasionally visit the store and shop. These are the customers who travel a long way to reach the store because their nearby stores are not able to fulfill the local demand. Further, there are some forces of attraction that lure the customers from tertiary zone such as wide merchandise assortment, lower pricing policy, payment options and high-level customer service.

Whatever the continent, country may be, each trading area may be studied under three zones:

AREA	CUSTOMERS' DENSITY
(i) Primary trading area	: 50-80% of store's customers
(ii) Secondary trading area	: 15-25% of store's customers
(iii) Tertiary (Fringe) trading area	: Remaining customers

Factors to be considered while analyzing trade area:

1. Total size and density (demand and supply) of the population.
2. Per capita disposable income.
3. Education level.
4. Family system (joint / nuclear).
5. Occupation (job / professional / own business).
6. Standard of living.
7. Age group distribution.
8. Number of residents owning homes.
9. Number of manufactures, suppliers, wholesalers available.
10. Size of competition.

Rating Plan Method

Location often plays a significant role in a company's profit and overall success. A location strategy is a plan for obtaining the optimal location for a company by identifying company needs and objectives, and searching for locations with offerings that are compatible with these needs and objectives.

A company's location strategy should conform with, and be part of, its overall corporate strategy.

Formulating a location strategy typically involves the following factors:

Facilities : facilities planning involves determining what kind of space a company will need given its short- term and long-term goals.

Feasibility : Feasibility analysis is an assessment of the different operating costs and others factors associated with different locations.

Logistics: Logistics evaluation is the appraisal of the transportation options and cost for the prospective manufacturing and warehouse facilities.

Labour: Labour analysis determines whether prospective locations can meet a company's labour needs given its short-term and long-term goals.

Community and site: Community and site evaluation involves examining whether a company and a prospective community and site will be compatible in the long-term.

Trade zones: Companies may want to consider the benefits offered by free-trade zones, which are closed facilities monitored by customer services where goods can be brought without the usual customer requirements. The United States has about 170 free-trade zones and other countries have them as well.

Political risk: Companies considering expanding into other countries must take political risk into consideration when developing a location strategy. Since some countries have unstable political environments, companies must be prepared for upheaval and turmoil if they plan long-term operations in such countries.

Governmental regulation: Companies also may face government barriers and heavy restrictions if they intend to expand into other countries. Therefore, companies must examine government – as well as cultural – obstacles in other countries when developing location strategies.

Environmental regulation: Companies should consider the various environmental regulations that might affect their operations in different locations. Environmental regulation also may have an impact on the relationship between a company and the community around a prospective location.

Incentives: Incentives negotiation is the process by which a company and a community negotiate property and any benefits the company will receive, such as tax breaks. Incentives may play a significant role in a company's selection of a site.

Site evaluation:

Retail site selection is not simply a question of what real estate is available. It is an analytic challenge that requires an understanding of the customer and the market potential for a retailer at a location. Choosing a location in retail is a strategic decision which is difficult to return. Enterprises have to be sensitive while choosing location, especially features like population, economic and competition difficulties must be considered.

While evaluating the site, following are the prime considerations

- Size and characteristics of population.
- Level of competition.
- Access to transportation.
- Availability of parking.
- Attributes of nearby stores.

- Property costs.
- Length of agreement (if lease).
- Population trends.

- Legal restrictions.

While evaluating a retail site, following factors should be considered:

- Accessibility.
- Locational advantages.
- Terms of occupancy.
- Legal considerations (e.g. environmental considerations, zoning restrictions, building codes, signs, licensing requirements).

Retail operations

The field of retail operations concerns the work that individuals do to keep a retail store functioning. This includes both retail salespeople and managers in all types of retail stores, including small stores with only a handful of workers and large chain stores with hundreds of employees. Retail operations include the following activities.

Store Layout, Design and Visual Merchandising :

Store layout and visual merchandising are factors that contribute to the uniqueness of a store. The exterior and interior of a store convey several messages about the store to the consumers. The building that houses retail store, (whether new or old) and the exterior design of the store are important aspects of the design of the store. Marquees, walkways, entrances, doors, display windows, the height and size of the building, colors and materials used, and theft prevention are some of the key factors to be kept in mind while developing a store's exterior.

Managing space is the first and foremost concern of almost every retailer, when it comes to designing the store's interior. Space is always an expensive and scarce resource. Retailers always try to maximize the return on sales per square foot. Planning a layout for the store's interior is the first step in designing the store's interior.

There are three kinds of layouts –

- Grid Layout,
- Race Track Layout
- Freeform Layout.

Allocating space to various merchandise categories in a store is very important. Allocation of space can be based on many factors, like historical sales, gross margins, industry averages and strategic objectives. Apart from allocating space to various merchandise categories, space has to be allocated for carrying out some essential functions. Such space includes the back room for receiving the inventories and sorting them out, office and other functional spaces, aisles and customer service desks, floor space and wall space. The interior of a store influences the

purchasing behavior of the customers to a great extent. Designing the interior of a store in such a way as to influence customer behavior is referred to as visual merchandising. It includes optimum and appropriate use of fixtures, displays, color, lighting, music, scent, ceilings and floor, and designing all of these properly. Merchandise presentation is the most significant aspect of store design, because it helps attract customers' attention. A retailer can resort to many forms of presentation such as idea-oriented presentation, item-oriented presentation, price lining, color presentation, vertical merchandising, tonnage merchandising and frontal presentation.

A [well-planned retail store](#) layout allows a retailer to maximize the sales for each square foot of the allocated selling space within the store.

Store layouts generally show the size and location of each department, any permanent structures, fixture locations and customer traffic patterns.

Each floor plan and store layout will depend on the type of products sold, the building location and how much the business can afford to put into the overall [store design](#).

A solid floor plan is the perfect balance of ultimate customer experience and maximized revenue per square foot. Many retailers are missing this point. They simply focus on revenue and forget [customer experience](#). Statistics today have proven that retailers who deliver on experience have higher revenues than those that don't - even if the square footage is smaller.

For example, some retailers "crowd" the sales floor with lots of merchandise. While this increases selection, it also decreases customer traffic flow space. Many customers are turned off by crowded stores. They prefer cleaner, wider aisles that make them feel less stress. Which means that the experience for this customer is poor. Customers would prefer an edited merchandising approach in a department store. Examples of these stores would be Macy's or Belk.

However, some customers prefer to "bargain hunt" in off-price stores. In these stores, the clutter actually adds to the "deal" atmosphere for the customer. Examples of these stores would be TJ Maxx or Ross.

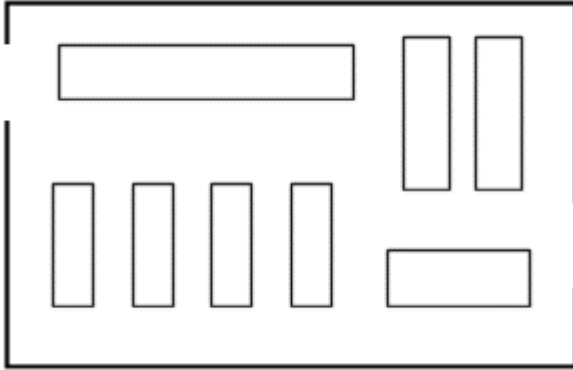
Whatever your store type, make sure you are considering customer experience in the floor plan. What may make for the most efficient space planning, might make for the worst customer experience. For example, I worked with a home improvement store to redesign their space. They had terrific merchandise, but terrible [merchandising](#). The tile section was on the left side of the store, but the tools and supplies needed for the tile installation were on the right side of the store.

This posed two problems. First, impulse buys were reduced. If you are installing new tile, that is what is on your mind. Anything that looks like it might help you with your endeavor will catch your eye and be a possible [add-on sale](#). But if you put spray paint next to the tile, it's not likely you will get it in the customer's basket.

Second, because the customer had to walk from one side of the store to the other, they were frustrated. Sometimes they didn't even make the walk and then got home and realized they were missing something and had to go back - and none of us like that hassle.

Below are a few basic store layouts.

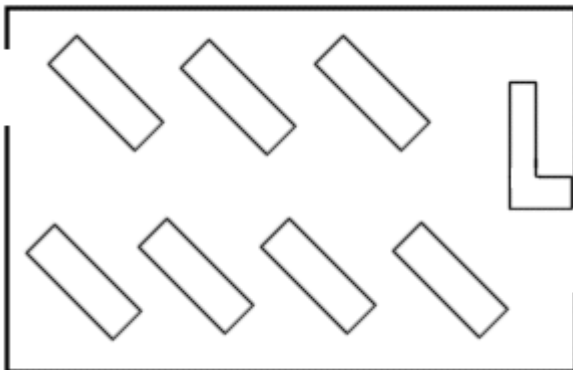
1. Straight Floor Plan



The straight floor plan is an excellent store layout for most any type of retail store. It makes use of the walls and fixtures to create small spaces within the retail store. The straight floor plan is one of the most economical store designs.

The downside to this plan is the sight lines in the store. Depending on the front entrance, it may be difficult for a customer to see the variety of merchandise you have or find a location quickly.

2. Diagonal Floor Plan

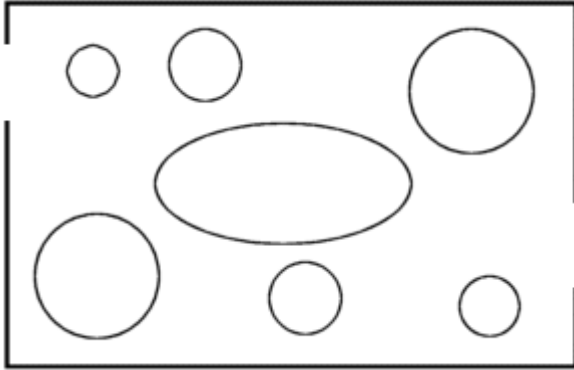


Diagonal Floor Plan.

The diagonal floor plan is a good store layout for self-service types of retail stores. It offers excellent visibility for cashiers and customers. The diagonal floor plan invites movement and traffic flow to the retail store.

This plan is more "customer friendly." With a straight plan, the customer can feel like they are in a maze. With this floor plan, the customer has a more open traffic pattern.

4. Angular Floor Plan

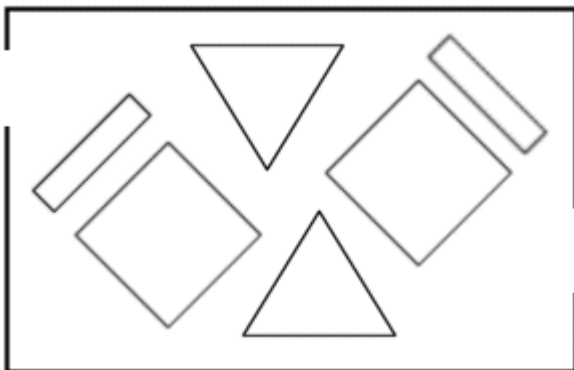


Angular Floor Plan.

The angular floor plan is best used for high-end specialty stores. The curves and angles of fixtures and walls makes for a more expensive store design. However, the soft angles create better traffic flow throughout the retail store.

This design has the lowest amount of available display space, so it is best for specialty stores who display edited inventories versus large selections.

5. Geometric Floor Plan

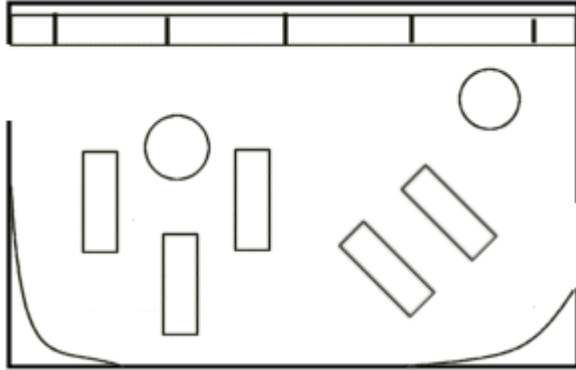


Geometric Floor Plan.

The geometric floor plan is a suitable store design for clothing and apparel shops. It uses racks and fixtures to create an interesting and out-of-the-ordinary type of store design without a high cost.

This plan makes a statement. So make sure it is the statement you are wanting to make with your brand.

6. Mixed Floor Plan



Mixed Floor Plan.

As you might have guessed, the mixed floor plan incorporates the straight, diagonal and angular floor plans to create the most functional store design. The layout moves traffic towards the walls and back of the store.

It is a solid layout for most any type of retailer. And truthfully, the best experience stores have multiple shapes, elevations and designs. This appeals to a larger array of customers.

5 Most Important Elements of Visual Merchandising:

When people hear visual merchandising they typically get nervous and uneasy. They know it's an important retail term, but not sure exactly what it is or how to do it well. It can create uncertainty about where to start. If you're artistically challenged and financially deprived, creating visual displays can be especially difficult. But here are my five most important elements of visual merchandising.

They are easy to implement and won't break the bank and, most importantly, they will increase your sales. Strong visual merchandising has a huge impact on customer experience in your store.

Whether you're revamping your retail displays or creating new ones, use these five strategies to help you achieve more impactful and memorable visual merchandising. And put more money in your pocket this year.

1. Remember that color is king.

Color is powerful, and it can make or break your visual displays. A retailer might create an erratic display, but if the colors coordinate well, the display can still be a success. Consider using contrasting colors, like black and white, and monochromatic colors--both create intriguing, eye-catching displays.

Too many times we lose sight of the power of color and its ability to attract the eye. Consider your home. You probably have a solid grey or brown couch, but there is a "pop" of color from the throw pillows you place on the edges.

This is the same principle. **Remember: wherever the eyes go, the feet will follow.** So use color to catch the eyes of your customers and draw them to your displays.

2. Create a focal point.

Where does the viewer's eye focus on your display? Do their eyes move toward a specific location on the display?

Or are they confused about where to look? Create a hotspot--or focal point. Why? Because hotspots can increase sales by 229 percent.

Examine your display from the customer's point of view: the top, the floor, both sides. Often the focal point is positioned too high for the customer to see. Always check your displays to ensure customers can easily view the hotspots and merchandise. **Remember, the hotspot is the product, not a visual element you use to add to the story.** By this I mean, if you put sand and seashells on the table as part of your sandal collection, make sure the sandals are the focal point and not the sand.

3. Tell a story.

What's in it for customers? Tell them. Use powerful, sales-enabling signage to display the advantages of buying the product. Present three bullet points that tell customers why they need the product or how their life will become easier because of the product. Remember, you're not writing an essay but rather a headline, powerful bullet points, and possibly a price proposition. By telling a story, you help the customer better understand the product and enable the buying decision.

A display may lack a worded sign or an educational sign. That's perfectly fine; as long as there's still a story, the sign can speak for itself.

For example, lifestyle graphics are very popular in telling the story. No words, but the image speaks volumes.

4. Expose customers to the maximum amount of merchandise.

A well-designed, impactful display exposes the customer to as much merchandise as possible while avoiding a sloppy mess. The more products customers see, the more they buy.

Consider using a circular store layout, which many retailers use. It's powerful because it exposes customers to more merchandise than traditional aisles. Where your store *does* use aisles, place a display in dead center so customers are forced to stop and look at the products. Have as many displays as possible, and present as much merchandise as possible. But keep displays clean and sharp, and ensure aisles are spacious and barrier-free to prevent deterring customers from products.

In my stores, I used dining tables from World Market to create a visual impact. Displaying our shoes on these tables was kitschy and bold. It caught a customer's eye for sure. And we got many compliments on the display tables since the tables were unique and a story in themselves as opposed to the traditional display pieces stores use.

5. Use empty space wisely.

There's a space in all retail stores that is the most underutilized. It's the section between the displayed merchandise and the ceiling. If this space in your store is empty, you need to start using it.

You can use this space for many different things, like signage providing information about products or brands. You could display customer testimonials with the customer's name and picture. You could profile a designer or supplier.

You could also display lifestyle graphics that help customers make associations with your products. For example, a furniture store could display an image of a family cozied up on a couch, emitting those warm, fuzzy feelings that put shoppers in a good mood. A jewelry store could display a woman at a fine dining restaurant wearing a bracelet, creating an association between the store's jewelry and a luxurious lifestyle.

Visual merchandising is multifaceted, and retailers can choose from hundreds of ideas when designing displays. But these tips return the biggest bang for your buck. Use them to make your store as memorable as possible.

Store Design :-

Retail store design is a well-thought-out strategy to set up a store in a certain way to optimize space and sales. The way a store is set up can help establish brand identity as well as serve a practical purpose, such as protecting against shoplifting.

Retail store design is a branch of marketing and considered part of the overall brand of the store. Retail store design factors into window displays, furnishings, lighting, flooring, music and store layout to create a brand or specific appeal.

5 Essential Principles for Retail Store Design

Online shopping is increasingly big business, which means it's increasingly difficult for smaller retailers—especially those that don't have an online presence—to get their share. The physical shopping experience starts with good design, so take a good, hard look at your retail space, and perhaps with the help of a retail design agency, determine if there's more that you could be offering your customers.

1) Define your Space

First things first, defining your space is all about your brand and image, how it gets people into your store, and what they do once they're there. This is the big picture—what are you selling, and who are you selling to? There needs to be a consistency of style and function in your store that reflect all of these different factors, to tie the whole shopping experience together.

A good example of this is Starbucks, a brand that has built its empire by focusing not so much on coffee, but on the experience of drinking it, by providing customers with cosy, comfortable chairs and free wifi, to encourage them to linger for long periods of time, and potentially make multiple purchases in a single visit.

2) Organizing the Space

When a customer shops online, they have an entire store at their fingertips, with the ability to look at multiple different types of products at essentially the same time. This isn't the case for the in-store shopping experience, so it's important that the space is well-organized, and as intuitive and easy to use, as possible. A customer who enters a store should have a clear path to follow, with different categories of products clearly sign-posted, logical and clear product groupings, and a means of quickly finding help if they need it. A well-organized store is one that makes customers feel safe and comfortable, and is structured so that they can get what they need without wasting time.

3) Offer a Sequential Experience

Successful stores deliberately plan the customer experience, both figuratively and literally. Literally, it's about planning the store's layout for the optimal customer experience; figuratively, it's more about the chronological path a customer takes to get there—awareness through advertising that encourages them to stop by (whether print, online or a store-front window), the visit to the store itself, exploring the store and browsing products, and finally, making a purchase.

4) Provide Visual Communication

Visual information includes signage, branding, and other written and graphical information that communicates essential information to customers. It should be clearly legible, and provide only important information that will actually enhance the customer's experience, and ideally, each element should conform with the store's visual branding design.

This is a good place to take inspiration from the world of **exhibition design**, where the focus is on providing information quickly and succinctly, to people whose attention is typically divided between multiple different brands at once. Visual communication needs to be immediately recognizable, and provide information that can be interpreted and used quickly.

5) Invite Customer Participation

Good visual communication invites customers to participate actively in their shopping experience—for example, by ensuring that staff members are available and clearly visible as such, and providing the opportunity for the customer to have different types of experiences within the store. With the massive shift that online shopping has brought, this part of the store design process is also about offering experiences that the customer can't get online, whether it's one-on-one help and advice from staff, or the opportunity to try products out before purchasing.

Space planning:

Space planning is a fundamental element of the **interior design** process. It starts with an in-depth analysis of how the space is to be used. The designer then draws up a plan that defines the zones of the space and the activities that will take place in those zones. The space plan will also define the circulation patterns that show how people will move through the space. The plan is finished by adding details of all the furniture, equipment and hardware placement.

5 Space Planning Techniques

1. Enter the Decompression Zone

The first space you step into when you enter the store is designed to open your mind to the shopping experience, inviting you to browse and explore. A place designed to make you feel safe and secure. The decompression zone prepares you for what lies ahead, helping you focus. A good decompression zone:

Provides a wide, open space, that's free from clutter.

Allows easy entrance into the store with an overview of the merchandise.

Has no distracting marketing or advertising gimmicks.

Welcomes you by giving you a little space.

Flower displays at the entrance usually entice customers to come inside

Nordstrom, an upscale fashion retailer, rolls out a long red carpet from their decompression zone, guiding customers to their merchandise.

2. Clockwise vs Counter-clockwise

It's critical for retailers to make it easy for shoppers to find the products they're looking for. Retail stores opt for space planning that goes counter-clockwise, from right to left, because most of the population is right-handed and will instinctively turn to the right.

However, recently many stores have opted for the more unfamiliar clockwise layout, left to right, hoping it may arouse shoppers' attention and stimulate them more than the familiar counter-clockwise layout.

3. Slow Down

Many retailers create little visual breaks, known as speed bumps, to give shoppers the opportunity to make seasonal or impulse buys. Speed Bumps are created using signage, specials or placing popular items halfway along a section, so people have to walk all along the aisle looking for them.

Retailers stock the items shoppers buy most frequently (staple items) at the back of the store, to maximize the amount time you spend inside the store, increasing basket size and impulse buying opportunities. This makes it difficult for shoppers to resist grabbing other items when making a quick trip to the grocery store.

Another space planning technique used to slow customers down, is by removing windows. Disconnecting you from the outside world, so you forget that time is passing, essentially keeping you in the store longer.

4. Visual Appeal by Blocking

Retailers create a triangular composition, otherwise known as tiered formation, using style or color, blocking certain products together – high at the back, tumbling to low in the front. They start with a center feature and merchandise out symmetrically, placing best seller items in a prominent visual location, enticing you to buy through visual appeal.

5. Shelf Spacing

Shelf space is positioned to manipulate shoppers into buying more. This is a highly debatable space planning technique amongst retailers, with some believing eye-level to be the top spot for a product while others reckon higher is better. Some retailers prefer the ‘end caps’ – where products are displayed at the end of an aisle, believing those products receive the best visibility.

Benefits of Space Planning

By implementing above space planning techniques, retail stores create an aesthetically pleasing layout, allowing shoppers to find the products they’re looking for while eliminating out of stock items. Products sell at a more even speed, creating less need for product ordering and shelf restocking.

A retail store might opt to first test these techniques by doing realograms beforehand and then once planograms have been implemented, evaluated the two against one another to determine technique effectiveness. Of course, an increase in sales would also be an indicator of space planning success.

Retail Operations

Retail operations is a field that studies all mechanisms to keep the store functioning well. It includes a broad spectrum of activities, from people management to the supply chain, store layout, cash operations, physical inventory, master data management, offers and pricing etc.

Most of these operations are basically executed using the Commerce system that retailers use in the stores and back office. Therefore, achieving excellence in daily store operations will thus be directly proportional to the system that the business relies on.

If we dive a bit further into store operations and try to extract the main priorities of each of them, we will see that we need to divide these priorities by the different retail profiles we may find; the perspective of retail owners, store managers or sales associates. We may find others, depending on the nature and size of the business, but we will focus on these three profiles in this blog post. In any case, you can still deeply explore this term and how to achieve operational excellence by attending this week’s webinar.

1. Retail Operations from the perspective of retail business owners

What do retailers, understood as the business owners, care about? Strategy is the first pillar that comes to mind. Not just the execution of today’s priorities, but the vision of how the future will be for the business, to ensure we are prepared for all the changes they may imply. For example, the commerce platform that retailers use need to support the business growth retailers expect for the mid to long term. Tools that will help them grow fast, at the same pace as their strategy plan.

Tools that enable fast and riskless rollouts will be crucial to success in the plan execution, like the Copy Store/Terminal functionality of Openbravo.

When it comes to deployment or hardware compatibility, the commerce solution becomes equally important, as hardware is an important part of the budget in retail implementation projects. Hence, many of our clients require a solutions that fit their current hardware requirements, as they don't plant to invest in a hardware solution replacement in the short-term.

In terms of execution, I remember a concern that is common to many retailers I have interviewed in the requirements gathering stage, when the project starts, or just in the prospecting stage; that is, fraud detection and prevention. It is a concern that I have seen present in all retail projects. So we need to review all retail functionalities, decide which should be allowed by which profile and which will need a supervisor's approval to proceed with it. To give you a few examples: delete ticket is often a sensitive operation that should not be permitted unless approved, or re-printing a ticket, approving cash differences when cashing up, allowing a return, etc. There are many, and that's why Openbravo offers Approvals in almost all features in Web POS, so retailers decide which are allowed and when approval will be required in an attempt to prevent fraud.

The other classic method of detecting fraud is "surprise" physical inventory. So by procedure, everyday at the store closure, staff need to count the stock of certain products, and they can change day after day. Here, it has been very helpful to empower the store crew with the mobile physical inventory functionality, so they can execute this task fast and efficiently.

Then, retailers can view the results in a centralized way from the backoffice, where they will see all the indicators together in the same place, and most importantly, in real time. This is especially interesting when having several stores. If you need to handle daily synchronizations to upload sales, or products, promotions etc. you need to seriously think about investing in a new platform to get rid of those troubles that are due to an old architecture. Openbravo can help you with that, with a cloud single repository, where a change in price will be delivered to all stores in seconds.

2. Achieving excellence from store managers

Store managers are the ones on the shop floor day after day, and their priorities or needs can be slightly different from the ones above. We can say they are much more operational, for example, they need to efficiently handle people management or daily store operations like opening, closure or cash management. In big stores, where there is a high number of terminals and sessions by terminal, it can be difficult to manage unless the commerce solution offers a unified view to accurately control who opened a terminal or the cash position at its closure. Openbravo's module of Terminal Sessions Management can be a good tool in these scenarios, where all terminals and sessions in each terminal are monitored in real time.

Another frequent demand from store managers is to have certain autonomy from headquarters. I must say that I have seen retailers that do not want to allow this in their stores, sometimes abusing of their excess power. My personal opinion is that I have seen stores performing better with a bit of autonomy in certain business processes, otherwise, headquarters approval can be a bottleneck and a clear negative point for achieving excellence in the stores, where changes need to be done rapidly to respond to demanding customers. I'm thinking of being able to correct a price that is incorrect, block a user that we have seen doing something fraudulent, or updating the stock of products that are not accurate in the system. Openbravo offers a great solution for these retailers, allowing them to access the back office where all the data is centralized and can be

restricted by users or roles, giving them access and rights to exactly what we want. And enabling auditory to be able to track down any changes made.

3. Priorities for sales associates

Sales associates are the last profile we are analysing today. We consider them an important part of the purchase decision making process, as customers let associates influence them while deciding which product to buy. Empower then your sales associates with tools that will help them provide a rich customer experience, like rich product engines by product characteristics or stock visibility to offer flexible options to save-the-sale when there is no stock in the store. Moreover, as associates normally work by commission, it will be important that the commerce solution allows them to annotate their sales to differentiate them from cashiers or other associates.

Inventory Management

Inventory management is the management of inventory and stock. As an element of supply chain management, inventory management includes aspects such as controlling and overseeing ordering inventory, storage of inventory, and controlling the amount of product for sale.

The definition of Inventory Management is easy to understand. Simply put, inventory management is all about having the right inventory at the right quantity, in the right place, at the right time, and at the right cost. But how do you implement the best inventory management techniques to ensure the best results? Read on to find out our insights for inventory management best practices.

Inventory management techniques

Inventory management uses several methodologies to keep the right amount of goods on hand to fulfill customer demand and operate profitably. This task is particularly complex when organizations need to deal with thousands of stockkeeping units (SKUs) that can span multiple warehouses. The methodologies include:

- **Stock review**, which is the simplest inventory management methodology and is generally more appealing to smaller businesses. Stock review involves a regular analysis of stock on hand versus projected future needs. It primarily uses manual effort, although there can be automated stock review to define a minimum stock level that then enables regular inventory inspections and reordering of supplies to meet the minimum levels. Stock review can provide a measure of control over the inventory management process, but it can be labor-intensive and prone to errors.
- **Just-in-time (JIT) methodology**, in which products arrive as they are ordered by customers, and which is based on analyzing customer behavior. This approach involves researching

buying patterns, seasonal demand and location-based factors that present an accurate picture of what goods are needed at certain times and places. The advantage of JIT is that customer demand can be met without needing to keep quantities of products on hand, but the risks include misreading the market demand or having distribution problems with suppliers, which can lead to out-of-stock issues.

- **ABC analysis methodology**, which classifies inventory into three categories that represent the inventory values and cost significance of the goods. Category A represents high-value and low-quantity goods, category B represents moderate-value and moderate-quantity goods, and category C represents low-value and high-quantity goods. Each category can be managed separately by an inventory management system, and it's important to know which items are the best sellers in order to keep quantities of buffer stock on hand. For example, more expensive category A items may take longer to sell, but they may not need to be kept in large quantities. One of the advantages of ABC analysis is that it provides better control over high-value goods, but a disadvantage is that it can require a considerable amount of resources to continually analyze the inventory levels of all the categories.

Inventory control is the area of inventory management that is concerned with minimizing the total cost of inventory, while maximizing the ability to provide customers with products in a timely manner. In some countries, the two terms are used as synonyms.

The following eight techniques to will help you improve your inventory management—and cash flow.

- Set Par Levels. ...
- First-In First-Out (FIFO) ...
- Manage Relationships. ...
- Contingency Planning. ...
- Regular Auditing. ...
- Prioritize With ABC. ...
- Accurate Forecasting. ...
- Consider Dropshipping.

Merchandise Management

Meaning:

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.

RETAIL MERCHANDISING MANAGEMENT PROCESS

1. RETAIL MERCHANDISING MANAGEMENT PROCESS

2. MERCHANDISE & MERCHANDISING The various types of goods that can be bought and sold for profit or The wholesale purchase & retail sale of goods for profit or The stock of goods in a store The activity of promoting the sale of goods & services at retail. Merchandising means "planning involved in marketing the right merch andise or service at the right place, at the right time, in the right quantities, and at the right price."

3. WHO IS A MERCHANT ? A wholesaler or retailer who buy goods from× various sources for resale to anyone and everyone for profit. A Merchant is held to a higher standard of duty of care than a non- merchant because he is deemed to have expert knowledge about the goods he deals in.

4. MERCHANDISING MANAGEMENT Merchandising management is the science of evaluating human behavior and buying habits in order to determine the best way to stock, display, and sell goods at retail stores. It is a process where in you arrange a group of products that highlights those that you want to sell fast or those that you want people to get noticed.

5. MERCHANDISING MANAGEMENT Therefore the increased visibility and appeal of products leads to increase in sale ability . It includes product packaging, placement, promotion etc. Example : The ice-filled tubs of soda, next to the cash register at the convenience store on a hot summer's day -- a merchandise manager determined that more product would be sold by doing it.

6. BASIS OF RETAIL MERCHANDISING

7. RETAIL MERCHANDISING MGMT PROCESS Retail merchandising management× process involves analysis, planning, acquisition, handling and control of merchandise investments of a retail operation.

8. RETAIL MERCHANDISING MGMT PROCESS ANALYSIS : The retailers must be able to× correctly identify their customers before they can ascertain consumer desires & requirements for making a good buying decision

9. RETAIL MERCHANDISING MGMT PROCESS PLANNING : It is more important because× merchandise to be sold in future must be bought now. It involves marketing the right merchandise at right place at right price in right quantities at right time.

10. RETAIL MERCHANDISING MGMT PROCESS ACQUISITION : It is because the× merchandise needs to be procured from others, either distributors or manufacturers.

11. RETAIL MERCHANDISING MGMT PROCESS HANDLING : It involves to see where× merchandise is needed and to be sold in a proper condition.

12. RETAIL MERCHANDISING MGMT PROCESS CONTROLLING : It is required since the function of merchandising involves spending money. So it is necessary to control the amount spent in this process.

Category Management

A category is an assortment of items that a consumer finds as reasonable substitutes for each other. Goods are categorized on the basis of similarities in consumer tastes, preferences, liking and disliking such as Junk food, Bar-be-Que, Razors, burgers, baked confectionary, sweets, etc.

The goods are priced, promoted and targeted to same customer base (target market). For instance Vishal Mega Mart, Gokul Mega Mart and few other domestic and global brands have the practice of dividing their apparel on the basis of Gents' Apparel, Ladies' Apparel and Kids Apparel.

Two retailers selling similar merchandise may have different definitions and thus different categories of the same product range. For instance, one retailer divides its 'apparel' under gents, ladies, kids and infants category, while another (for say) may define categories in terms of brands like Polo figer be one category and Rivalry be the other. Why it is so? Because a 'Polo' customer will buy only polo figer not the Rivalry.

In short, whatever may be the base of defining a 'Category', one thing must be remembered that it should suit to customers who ultimately will be affected in terms of time and money spent. Further, supply chain members and suppliers may find it convenient and hassle free.

Category Management is the process of managing retail business that merchandise category outputs rather than the contribution of individual brands or models. Under category management retailer's efforts (promotional, pricing and display) are grouped into categories with the objectives of measuring their financial and marketing performance separately.

Consequently, it arranges grouping of products in to strategic business units (SBU) in order to better serve the needs and demands of consumers. Most of the emerging retail outlets are managing their merchandise on the same pattern.

While on the other side, unorganized Indian retail sector has developed their merchandise items in the categories that serve their customers requirement and are cost effective and time saving for them. Therefore, these categories differ from region to region and outlet to outlet.

1. Definitions:

According to Institute of Grocery Distribution, "Category Management is the strategic management of various merchandise groups through trade tie ups and partnerships which aims to maximize turnover and profit by satisfying consumer needs and want."

According to Nielsen (1992), Category Management is a process of managing product categories as separate business units and customizing them to satisfying consumer needs.

Why Category Management?

1. One foremost reason for the introduction of 'category management' is that all the items of merchandise are not equally important for a retailer from cost revenue generation point of view. Some items are very small but of high value, some items are most popular but of low profit margin. Therefore need was point to categorized the items in to different sub groups.

2. One reason for introduction of 'category management' was the fact that only a definite amount of profit could be obtained from price negotiations and that there was more profit to be made in for the purpose of increasing the total sales.

3. One reason for introduction of 'category management' was that the collaboration with supplier will be helpful in development of categories under three ways:

The ways are:

(i) Part of the work load like development of categories would be assign to the concerned supplier.

(ii) Supplier's expertise will be utilized.

ADVERTISEMENTS:

(iii) Supplier will take the venture seriously.

2. Significance of Category Management:

1. Increased sales, goodwill and market share
2. Proper care and devotion to each item of merchandise
3. Increased sales further lead to increased turnover
4. Maximize shelf efficiencies
5. Less inventory shrinkage
6. Recognizes procurement opportunities
7. Enhances customer knowledge level
8. Improves return on investment (ROI)
9. Decreases chances of out-of-stock positions
10. Enhances return on money invested in marketing efforts
11. Classifies the performance of brands as doing well, not doing well, problem brands, etc.
12. Purchasing merchandise exercise becomes easy and cost effective.

Essentials / Prerequisite of Category Management:

1. Category should be divided and arranged as per consumers' ease not because of retailer's convenience.
2. CM should be based on differentiation and uniqueness.
3. CM should drive multiple item purchases at the same time.
4. It should result in better customers' relations rather than relations with suppliers.
5. Category division should be based on the basis of product response, space, time and profitability.

3. Category Management Process (8 Steps)

Category management is the process of classifying and managing product categories as strategic business units, rather than simply viewing a retailer's offering as a collection of individual products. The category management approach delivers enhanced business results by focusing on delivering consumer value. It is often a shared process between a retailer and its vendors.

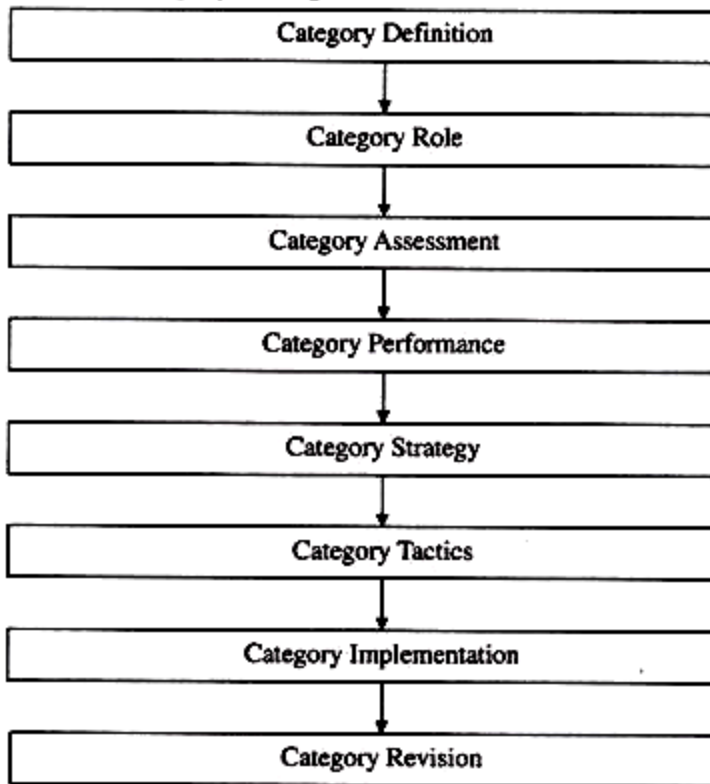
This description comes from Category Killers (2005) by Robert Spector:

For the past couple of years, the term "category management" has entered the retail lexicon in virtually every merchandise category. Category management began in the supermarket business, where big retailers of packaged goods learned that they could improve sales and profits if they could more efficiently administer all their different product classifications. The idea was to oversee the store not as an aggregation of products, but rather as an amalgam of categories, with each category unique in how it is priced and how it is expected to perform over time.

One vendor is designated as "category captain" and charged with helping the retailer define the category; determine its place within the store; evaluate its performance by setting goals; identify the target consumer; divine the best way to merchandise, stock, and display the category; and then influence the implementation of the plan. Becoming a captain is obviously an important position because it offers that supplier an opportunity to sway a retailer's buying decisions.

Thus the category management process is a repetitive, strategic and long-term business philosophy that promotes cross functional working between companies with the involvement of professionals from very diverse areas such as procurement, finance, supply chain, marketing, store operations, sales and space planning.

Figure 9.1
Category Management Process



IGD Research (2007) reveals that merely 9% of companies follow this eight step process of category management and is useful for those firms that have developed shorter, streamlined approaches that deliver benefits in a relatively smaller, less resource intensive time horizons.

A typical category management process is discussed as follows:

1. Category Definition:

Defining a category is the first step in a typical category management process. In this step retailer classifies the store's products into different categories depending on the usage of the product by the consumers and its packaging. What should be the best way to define a particular category are always debatable issues amongst retailers.

The category management experts opine that whatever the base it should be, category definition should be based on consumers' buying behaviour not on retailer's buying behaviour. Before beginning with the process of category definition, the retailer and vendor should first understand what exactly makes a category? The supplier know-how about a category and its potential customers becomes vital in developing the correct definition and segmentation of the category.

This basically decides the products that fall under a particular category, sub-category and key segmentation. Thus a retailer basically assigns products to the different categories depending upon customers' liking, disliking, quantity size, and packaging. The main objective of defining category is to know what items to include and what items to exclude.

The definition of category varies from situation to situation and one store to another. In one circumstance, category may be narrowly defined or very broadly defined, depending upon several factors. For instance, the category of sandwich may be narrowly defined so as to comprise only vegetarian sandwich, or it may be broadly defined to include all types of varieties such as vegetarian, non-vegetarian, chocolate, fried, baked, grilled, cheese spicy/mutton spicy etc.

The point is to be remembered that it is the customer that gives the profit so its perspective should be kept at top priority while defining a particular category. The task further should result into particular product titles with respect to its sizes, color, packaging, sub-categories, variety of products and variety within the product.

2. Category Role:

Under this step, retailers usually determine the priority level and then assign a role for the category based on a cross category comparison considering liking and disliking of consumers, and market trends. Basically here retailers develop the base for allocating resources for the entire business.

While assessing the role played by a category, retailers should thoroughly consider the nature and size of product category. For instance, some categories may represent luxury brands, whilst others might be denominated by low priced brands. It signifies that if a particular category is denominated by luxury brands, then most of the underlying brands are or will be, lucrative.

On the other hand, category largely composed of low priced brands may not provide any opportunity to earn profitable margins for both the retailer and the supplier. Hence, it becomes imperative for a retailer to consider the role played by a category in the store while determining a particular category.

For example, the ice cream product category has been upgraded in UK marked by introducing premium luxury ice-cream, ice cream confectionery, mass scale marketing and sales promotion companies such as Haagen Dazs and the development of premium store brands. Athletic footwear (trainers), toys and beer are examples of other categories that have shifted from value to premium (Vishwanath and Mark, 1999).

The role of SKU within a Category:

When a retail product manager is reviewing the choice within a product category, the individual roles that are played by the different brands or product variations will be acknowledged (McGrath, 1997). In a store, some products within a category are 'customers' catchers', giving high sales and have a large market share. These are the sources of attraction for visitors/customers and their non-availability may result in customer loss. Store brands are clearly concerned with achieving sales targets.

Low-priced goods not only attract customers but motivate customers to buy other goods too kept in store. Some stock keeping units (SKUs) create excitement and theatre in stores while other SKUs depict latest fashion and imported goods under same roof. Some SKUs sometimes have been observed for latest fashion and known for first arrivals.

Figure 9.3
Strategies Implied by Category Role

Category Role	Implied Marketing Category Strategies
Destination	<ul style="list-style-type: none"> ● Traffic Building ● Turf Defending ● Transaction Building ● Excitement Creating
Routine	<ul style="list-style-type: none"> ● Transaction Building ● Profit Generating
Seasonal	<ul style="list-style-type: none"> ● Traffic Building- Excitement Creating ● Profit Generating
Convenience	<ul style="list-style-type: none"> ● Transaction Building ● Profit Generating ● Image Enhancing

3. Category Assessment:

Under category assessment step, the retailer conduct an analysis of the category's sub categories, segments with respect to sales, turnover, profits, return on assets by reviewing consumer, market, retailer and supplier information. Category assessment requires a variety of analytical measures designed to determine the strengths, weaknesses, opportunities and threats of a particular category. It provides the retailer an opportunity to identify future prospects in the category.

The retailer's objective to assess categories is to know (a) whether to continue with the present category categorization, (b) Which categories require additional effort to generate profits, (c) What are the areas of highest turnover, profit, and return on asset improvement opportunities, and lastly to know the gaps existed between the chosen category and the present performance level of the category. Besides analytical tools, retailer sometimes assesses the categories with the help of data on the customers, suppliers or competitors.

4. Category Performance:

Measuring category performance is the fourth step in the category management process in which the retailer develops bottom-line and benchmark to measure the performance of the categories. It involves setting measurable targets in terms of sales, volume, margins, and gross margin return on investment (GMROI).

Establishing category performance measures are essential for measuring performance of a particular category which later on becomes base for further improvement within the category. Category performance measures basically represent the category score card that result in target objectives that are set by the retailer and supplier for the achievement of the implementation of the category business plan.

Sales Volume	Increase in sales (in rupees) Growth over last year The sales per square foot
Profits	Increase in gross profits Growth over last year Growth profits per square foot GMROI Gross margins in percentage Actual margin realized
Inventory Turnover	Stock turnover targets achieved in store Stock turnover targets achieved in warehouse
Product Assortment	Number of SKUs carried Number of new products included Number of products withdrawn Major turn arounders
Market Share	Increase in market share Growth over last year Growth changes in percentage
Consumer Served	Number of invoices served Average value of the transaction in monetary terms

5. Category Strategy:

Under this stage of category management business process, retailers develop marketing and product supply strategies that determine the category role and performance objectives. The basic purpose behind developing strategies is the retailer's intention to capitalize on category opportunities through creative and optimum utilization of available resources assigned to a category.

The sub objectives are:

- I. How to horizontally position a store's own brand relative to the incumbent national brand and
- II. How to price the store and national brands for retail category profit maximization.

Following seven are the widely applied category management strategies:

(i) Traffic Building:

Traffic building strategy is used to draw customers' attention towards store, aisle, and/ or category. This is usually achieved through advertising relatively low priced goods (having enough price difference from the everyday). This strategy typically applies to products that are most price sensitive, have high degree of household penetration, need frequent purchases, frequently promoted, having high sales in the category and generate major portion of sales.

(ii) Turf Protecting:

A turf protecting strategy (also known as super traffic building) basically is applied to defend the category sales and market share against a known competitor through competitive based pricing. This policy is only deployed when absolutely essential because it is generally an expensive strategy in terms of profit impact products with large transaction size that are under intense pressure from a defined competitor are considered under turf protection strategy. Turf protection strategy should be applied carefully as and when required because of the essential margin investment. However, proper use of a turf protection strategy can assist the retailer in creating a positive overall price image. Implementing turf protecting strategy requires that if the competitor reduces prices or prices fall in the market, the retailer will follow with price reductions to maintain turf protection strategy.

(iii) Transaction Building:

This strategy is issued to increase the sales of a particular category by emphasizing larger sales, multi packs, goods with trade-up options, aggressively pricing and promotion large transactions size terms, and goods that are subject to impulse purchase.

(iv) Profit Generating:

This strategy is used to generate profits by focusing on sub-category or parts of the category while keeping prices within competitive ranges. Products generating higher margins usually have a substantial amount of loyalty and which are not like less price sensitive items, with higher than category average gross margins are commonly used in this category. Store's own brands also come under profit generators.

(v) Excitement Generating:

This strategy is used to create excitement to a particular category by communicating a sense of dire need (urgency), or opportunity to the prospect. Seasonal items, latest arrivals, special items, limited edition, rapidly growing segments, fashion trends, and high items with a high incidence of impulse purchasing, come under this category.

(vi) Cash Generating:

This strategy is used to generate cash flow to ensure the retailer a balanced cash flow across the categories in a store to meet operating cash requirements, larger sales volume products, fast turning products, low inventory turnover goods, and goods with favorable payment terms come under this category.

(vii) Image Enhancing:

This strategy is used to enhance retailer's image before customers in one or more of the following aspects:

- a. Quality
- b. Variety
- c. Price

- d. Service
- e. Presentation
- f. Delivery
- g. Brands Available

Examples with regard to image enhancing are:, offering live fishes to customers stocked in fish tanks, exclusive product offerings, combo offers, happy meal menus, meal solution suggestions, wide product assortment, luxury brand assortment, competitive pricing, easy loan options, multiple modes of payment, feel of the product, etc.

6. Category Tactics:

Categories tactics are used to determine the optimal category assortment, pricing promotions, and shelf penetration, essential to ensure that strategies put are on right track. Category tactics determine and authenticate the specific actions that are required to implement the category strategies developed earlier.

The areas covered under category tactics vary from retailer to retailer and place to place. But pricing, promotions, assortments and the store's overall presentation are few commonly used areas where tactics are developed.

Therefore, it is expected from a supplier to do proper amount of value addition depending upon the role expected from a category; by assessing this retailers further develop proper strategies. For instance, a SKU may play convenience role for one retailer but a destination role for another.

Therefore, while developing the category, category captain (usually supplier) should take an overall view of the category and create a framework suggesting for marketing (traffic building, profit generating, and image enhancing etc.) as well as ensuring product supply. The retailing format (departmental, destination, hypermarkets, etc.) and the product's stage in a product life cycle should be taken into consideration.

7. Category Implementation:

This step is used to implement the category business plan through a systematic schedule and list of responsibilities. Implementing category plan as per the objectives laid down, is the path to the success of category management.

A typical category plan under implementation stage includes:

- I. What specific tasks need to be done?
- II. When to do,
- III. Where to do, and
- IV. Who will do it

Therefore, in a short, implementing category plan on the part of a retailer requires to decide what, where, when a task to accomplish and by whom.

8. Category Revision:

This is the final step in a typical category management business plan. Category review enables a retailer and concerned supplier to gauge the performance of a category and identify key areas of opportunity and threats to overcome by adopting alternate plans.

As today category management is an important strategic plan, it becomes imperative for a supplier to revisit the dynamics of the category and the appropriate strategies and tactics. This will enable a supplier to measure performance against the appropriate strategies and tactics.

In this regard, one thing should be noted that category business plans are subject to change with regard to change in assumptions laid down. For instance, in case of any specific change in business environment, assumptions made earlier may not hold valid. Therefore, business plan must be modified with respect to change in underlying assumptions without any delay.

Unit IV

RETAIL MARKETING MIX

Retail marketing mix –Introduction.

Product – Decisions related to selection of goods (Merchandise Management revisited) – Decisions related to delivery of service.

Pricing – Influencing factors – approaches to pricing – price sensitivity - Value pricing – Markdown pricing.

Place – Supply channel – SCM principles – Retail logistics – computerized replenishment system – corporate replenishment policies.

Promotion – Setting objectives – communication effects - promotional mix. Human Resource Management in Retailing – Manpower planning – recruitment and training – compensation – performance appraisal.

The retail marketing mix

Marketing is an underlying philosophy that guides business activities, but how does a retailer *do* marketing? A retailer must engage in planning, research and analysis before implementing a marketing strategy. At the core of any retail marketing plan is the mix consisting of the four Ps (Product, Price, Place and Promotion) of marketing. The following images show retail examples

of each of the elements of the mix and the next activity describes each element of the mix further.

Retail Marketing Mix: The Four Ps of Retail Marketing

Retailers use various advertising and communication tools to grow awareness and considerations with future customers. Finding the right marketing mix can lead to a profitable growth and a higher return on investment. By considering the right advertising strategy retailers can persuade consumers to choose to do business with their retail brand. The fundamental approach used by modern retailers in marketing their products is the Four Ps of Retail Marketing.

Product: There are two primary types of merchandise. Hard or durable goods like appliances, electronics, and sporting equipment. And soft goods like clothing, household items, cosmetics, and paper products. Some retailers carry a range of hard and soft items like a supermarket or a major retail chain while many smaller retailers only carry one category of goods, like a boutique clothing store.

Price: Pricing is a key element to any retail strategy. The retail price needs to cover the cost of goods as well as additional overhead costs. There are four primary pricing strategies used by retailers:

1. *Everyday low pricing:* The retailer operates in thin margins and attracts customers interested in the lowest possible price. This strategy is used by big box retailers like Wal-Mart and Target.
2. *High/low pricing:* The retailer starts with a high price and later reduces the price when the item's popularity fades. This strategy is mainly used by small to mid-sized retailers.
3. *Competitive pricing:* The retailer bases the price on what their competition is charging. This strategy is often used after the retailer has exhausted the higher pricing strategy (high/low pricing).
4. *Psychological pricing:* The retailer sets the price of items with odd numbers that consumers perceive as being lower than they actually are. For example, a list price of \$1.95 is associated with spending \$1 rather than \$2 in the customers mind. This strategy is also called pricing ending or charm pricing.

Place: The place is where the retailer conducts business with its customers. The place can be a physical retail location or a non-physical space like a catalog company or an e-store. While most retailers are small, independently owned operations (over 90%), over 50% of retail sales are generated by major retailers often called "big box retailers" (see the list of the top 20 big box retailers below).

Promotion: Promotion is the final marketing mix elements. Promotions include personal selling, advertising, sales promotion, direct marketing, and publicity. A promotional mix specifies how much attention to pay to each tactic, and how much money to budget for each. A promotion can

have a wide range of objectives, including increasing sales, new product acceptance, creation of brand equity, positioning, competitive retaliations, or the creation of a corporate image.

Product

Products are also termed as Merchandise. Product refers to the bundle of tangible & intangible attributes that a seller offers to a buyer in return of a particular predefined amount of payment in a particular mode. The different products that the store offers are termed as the Merchandise Mix. Therefore the Product Mix is the total variety of products a firm sells.

Product mix

It is a combination of product lines within a company. A company like HUL has a numerous products like shampoos, detergents, soaps etc. the combination of all these products lines is the product mix.

Product lines

It generally refers to a type of product within an organisation. As the organisation can have a number of different types products, it will have similar number of product lines. Thus, in Nestle, there are milk based products like milkmaid, food products like Maggi, chocolate products like kitkat & other such products lines.

Length of the product mix

If a company has 4 product lines & 10 products within product lines than the length of the product mix is 40. Thus, the total number of products against the total number of product lines forms the length of the product mix. This equation is also known as product line length.

Width of the product mix

Where product line length refers to the total number of product lines & the products within the product lines, the width of the products mix is equal to number of products lines within a company. Thus, taking the above example if there are four product lines within the company & ten products within each product line then the product line is four only.

Depth of the product mix

It is fairly easy to understand what depth of the product mix will mean where length & width were a function of the number of product lines, the depth of the product mix is the total number of products within a number line.

Product line consistency

The lesser the variations between the products, the more is the product line consistency.

DECISION RELATED TO SELECTION OF GOODS (MERCHANDISE MANAGEMENT)

Inventory & Merchandise manager is required to train, coach & direct customer service associates in customers service, receiving processes, product merchandising & labelling compliances, housekeeping & other tasks for efficient store operations.

Merchandise plan should:

Develop better merchandise assortment plans at Store. Increase store promotion profitability & increase turns. Make better pricing decisions for improved margins.

Determining cost & profitability of each category of product.

Setting merchandise budgets & plans considerations & methods.

Definition & assessment of control techniques break even analysis, EOQ, re-order levels JIT, cyclical provision, stock control procedures, rate of stock –turn, DPP.

Appraisal of stock-holdings methods & stock taking methods-analysis & control of stock loss.

Principles of stock presentations- product positioning, management. Application of information technology to merchandise management. Control & evaluation of branches, departments-profitability.

Assessment & Selection of suppliers merchandise & location.

Evaluation & selection of distribution channels; supply chain management; negotiations and considerations.

Selection of suppliers-methods & consideration.

Selection of merchandise, determination of order quantity-influences & considerations.

Applications of information technology to the selection & ordering process. Own brand merchandise-strategies & considerations.

Pricing – Influencing factors – approaches to pricing – price sensitivity - Value pricing – Markdown pricing.

One of the four major elements of the marketing mix is price. It is one of the four P's. Price, Product, Promotion and Place, or where the product is distributed.

The price is a very significant factor in determining the other elements of the marketing mix. Price determines the consumer group that will be targeted, as well as the advertising and promotion and distribution.

Method adopted by a firm to set its selling price. It usually depends on the firm's average costs, and on the customer's perceived value of the product in comparison to his or her perceived value of the competing products. Different pricing methods place varying degree of emphasis on selection, estimation, and evaluation of costs, comparative analysis, and market situation. See also pricing strategy.

Pricing is one of the most important elements of the marketing mix, as it is the only element of the marketing mix, which generates a turnover for the organisation. The other 3 elements of the marketing mix are the variable cost for the organisation;

Product - It costs to design and produce your products.

Place - It costs to distribute your products.

Promotion - It costs to promote your products.

Price must support the other elements of the marketing mix. Pricing is difficult and must reflect **supply and demand** relationship. Pricing a product too high or too low could mean lost sales for the organisation.

Pricing Factors

Pricing should take the following factors into account:

- Fixed and variable costs
- Competition
- Company objectives
- Proposed positioning strategies
- Target group and willingness to pay

An organisation can adopt a number of pricing strategies, the pricing strategy will usually be based on corporate objectives.



Types Of Pricing Strategies

The table below explains different pricing methods and price strategies with an example of each pricing strategy.

Pricing Strategy	Definition	Example
Penetration Pricing	Here the organisation sets a low price to increase sales and market share. Once market share has been captured the firm may well then increase their price.	A television satellite company sets a low price to get subscribers then increases the price as their customer base increases.
Skimming Pricing	The organisation sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer.	A games console company reduces the price of their console over 5 years, charging a premium at launch and lowest price near the end of its life cycle.
Competition Pricing	Setting a price in comparison with competitors. In reality a firm has three options and these are to price lower, price the same or price higher than competitors.	Some firms offer a price matching service to match what their competitors are offering. Others will go further and refund back to the customer more money than the difference between their price and the competitor's price.

Pricing Strategy	Definition	Example
Product Line Pricing	Pricing different products within the same product range at different price points.	An example would be a DVD manufacturer offering different DVD recorders with different features at different prices e.g. A HD and non HD version.. The greater the features and the benefit obtained the greater the consumer will pay. This form of price discrimination assists the company in maximising turnover and profits.
Bundle Pricing	The organisation bundles a group of products at a reduced price. Common methods are buy one and get one free promotions or BOGOFs as they are now known. Within the UK some firms are now moving into the realms of buy one get two free can we call this BOGTF I wonder?	This strategy is very popular with supermarkets who often offer BOGOF strategies.
Premium Pricing	The price is set high to indicate that the product is "exclusive"	Examples of products and services using this strategy include Harrods, first class airline services, and Porsche.
Psychological Pricing	The seller here will consider the psychology of price and the positioning of price within the market place.	The seller will charge 99p instead £1 or \$199 instead of \$200. The reason why this methods work, is because buyers will still say they purchased their product under £200 pounds or dollars, even though it was a pound or dollar away. My favourite pricing strategy.

Pricing Strategy	Definition	Example
Optional Pricing	The organisation sells optional extras along with the product to maximise its turnover.	This strategy is used commonly within the car industry as I found out when purchasing my car.
Cost Plus Pricing	The price of the product is production costs plus a set amount ("mark up") based on how much profit (return) that the company wants to make. Although this method ensures the price covers production costs it does not take consumer demand or competitive pricing into account	For example a product may cost £100 to produce and as the firm has decided that their profit will be twenty percent they decide to sell the product for £120 i.e. £100

Pricing Strategy	Definition	Example
	which could place the company at a competitive disadvantage.	plus $100/100 \times 20$
Cost Based Pricing	This is similar to cost plus pricing in that it takes costs into account but it will consider other factors such as market conditions when setting prices.	Cost based pricing can be useful for firms that operate in an industry where prices change regularly but still want to base their price on costs.
Value Based Pricing	This pricing strategy considers the value of the product to consumers rather than the how much it cost to produce it. Value is based on the benefits it provides to the consumer e.g. convenience, well being, reputation or joy.	Firms that produce technology, medicines, and beauty products are likely to use t

Factors Influencing Pricing Decisions

1. Price-quality relationship:

Customers use price as an indicator of quality, particularly for products where objective measurement of quality is not possible, such as drinks and perfumes. Price strongly influences quality perceptions of such products.

If a product is priced higher, the instinctive judgment of the customer is that the quality of the product must be higher, unless he can objectively justify otherwise.

2. Product line pricing:

A company extends its product line rather than reduce price of its existing brand, when a competitor launches a low price brand that threatens to eat into its market share. It launches a low price fighter brand to compete with low price competitor brands.

The company is able to protect the image of its premium brand, which continues to be sold at a higher price. At a later stage, it produces a range of brands at different price points, which serve segments of varying price sensitivities.

And when a customer shows the inclination to trade up, it persuades him to buy one of its own premium brands. Similarly, if a customer of one of its premium brands wants to trade down, it encourages him to buy one of its value brands.

But, it is not easy to maintain a portfolio of brands in the same product category. The company needs to endow each of its brands with an independent personality, and identify it with a segment.

A company's brands should not be floating around, willing to grab any customer that they can, but they should be specifically targeted at segments—customers of the target segment should like the brand, but customers of other segments should not like it enough to buy it.

3. Explicability:

The company should be able to justify the price it is charging, especially if it is on the higher side. Consumer product companies have to send cues to the customers about the high quality and the superiority of the product.

A superior finish, fine aesthetics or superior packaging can give positive cues to the customers when they cannot objectively measure the quality of the offering. A company should be aware of the features of the product that the customers can objectively evaluate and should ensure superior performance of those features.

In industrial markets, the capability of salespeople to explain a high price to customers may allow them to charge higher prices. Where customers demand economic justifications of prices, the inability to produce cost arguments may mean that high price cannot be charged.

A customer may reject a price that does not seem to reflect the cost of producing the product. Sometimes it may have to be explained that premium price was needed to cover R&D expenditure, the benefits of which the customer is going to enjoy.

4. Competition:

A company should be able to anticipate reactions of competitors to its pricing policies and moves. Competitors can negate the advantages that a company might be hoping to make with its pricing policies. A company reduces its price to gain market share.

One or more competitors can decide to match the cut, thwarting the ambitions of the company to gain market share. But all competitors are not same and their approaches and reactions to pricing moves of the company are different.

The company has to take care while defining competition. The first level of competitors offers technically similar products. There is direct competition between brands which define their businesses and customers in similar way.

Reactions of such competitors are very swift and the company will have to study each of its major competitors and find out their business objectives and cash positions. Competitors who have similar ambitions to increase their market share and have deep pockets will swiftly reduce price if any one of them reduces prices. A telephone company offering landline services has all telephone companies offering landline services as its first level of competitors.

The second level of competition is dissimilar products serving the same need in a similar way. Such competitors' initial belief is that they are not being affected by the pricing moves of the company.

But once it sinks in that they are being affected adversely by the pricing moves of a company that seemingly belongs to another industry, they will take swift retaliatory actions. The telephone company has the mobile phone operators as its second level of competitors.

The third level of competition would come from products serving the problem in a dissimilar way. Again such competitors do not believe that they will be affected. But once convinced that they are being affected adversely, swift retaliation should be expected.

The retaliation of third level is difficult to comprehend as their business premises and cost structures are very different from the company in question. Companies offering e-mail service are competitors at the third level of the telephone company. A company must take into account all three levels of competition.

5. Negotiating margins:

A customer may expect its supplier to reduce price, and in such situations the price that the customer pays is different from the list price. Such discounts are pervasive in business markets, and take the form of order-size discounts, competitive discounts, fast payment discounts, annual volume bonus and promotions allowance.

Negotiating margins should be built, which allow price to fall from list price levels but still permit profitable transactions. It is important that the company anticipates the discounts that it will have to grant to gain and retain business and adjust its list price accordingly. If the company does not build potential discounts into its list price, the discounts will have to come from the company's profits.

6. Effect on distributors and retailers:

When products are sold through intermediaries like retailers, the list price to customers must reflect the margins required by them. Sometimes list prices will be high because middlemen want higher margins.

But some retailers can afford to sell below the list price to customers. They run low-cost operations and can manage with lower margins. They pass on some part of their own margins to customers.

7. Political factors:

Where price is out of line with manufacturing costs, political pressure may act to force down prices. Exploitation of a monopoly position may bring short term profits but incurs backlash of a public enquiry into pricing policies. It may also invite customer wrath and cause switching upon the introduction of suitable alternatives.

8. Earning very high profits:

It is never wise to earn extraordinarily profits, even if current circumstances allow the company to charge high prices. The pioneer companies are able to charge high prices, due to lack of alternatives available to the customers.

The company's high profits lure competitors who are enticed by the possibility of making profits. The entry of competitors in hordes puts tremendous pressure on price and the pioneer company is forced to reduce its price. But if the pioneer had been satisfied with lesser profits, the competitors would have kept away for a longer time, and it would have got sufficient time to consolidate its position.

9. Charging very low prices:

It may not help a company's cause if it charges low prices when its major competitors are charging much higher prices. Customers come to believe that adequate quality can be provided only at the prices being charged by the major companies.

If a company introduces very low prices, customers suspect its quality and do not buy the product in spite of the low price. If the cost structure of the company allows, it should stay in business at the low price. Slowly, as some customers buy the product, they spread the news of its adequate quality.

The customers' belief about the quality-price equation starts changing. They start believing that adequate quality can be provided at lower prices. The companies which have been charging higher prices come under fire from customers. They either have to reduce their prices or quit.

APPROACHES TO PRICING

Types of Pricing Approaches

- Cost-Based Pricing Approaches
- Buyer-Based Pricing Approaches
- Competition-Based pricing Approaches

1. Cost Based Pricing Approach:

These pricing approaches are the simplest one in which the cost of product or service is added with a certain proportion of markup as profit to ascertain a certain price. Examples include construction businesses that estimate the cost of any project and submit their bid by adding a certain portion of profit to their estimated cost. Moreover Accountants, Lawyers and other professionals charge a price of their services by adding the cost of work with a certain proportion of markup.

Markup pricing is not regarded as an effective pricing model as it ignores both demand and the pricing of competitors. Therefore, it is almost impossible for a business to keep its price as best one by adopting this category of pricing. But still Cost based pricing is popular due to the following reasons.

- It makes pricing simpler so the marketers do not change the price of their product or service with the changing demand.
- When the majority of businesses in the market adopt this pricing model, there would be minimum price competition due to similarity in prices.
- Generally cost based pricing looks fairer for both buyers and sellers as buyers are not exploited under condition of higher demand and also the seller can earn a reasonable profit in such pricing.

Target Profit Pricing and Break-Even Analysis

Target profit pricing is also called break-even analysis in which the total cost and total revenue are forecasted at different levels of sales. In this way a reasonable profit can be availed at a reasonable price. The fixed cost remains unchanged even at zero level of production and sales. On the other hand variable cost changes with the level of production and sales. Both of these costs are combined to ascertain the expected total cost at certain sales volumes. When the sales volume increases the total cost decreases and the total revenue increases. Break-even is that point of sales volume where cost is equalized by the revenue and the profit is zero. The estimated demands, break -even points and profits are compared with different prices by the management of business.

2. Buyer Based Pricing Approach:

These pricing approaches is extensively applied by many organizations in which the perceived value of buyer is regarded as a base for Setting Price for a product or service. In this pricing model the value of product or service is perceived by customers that give the guideline for the price of that product or service. In other words the price is not set after the production of product, but before the production. This means that the organization considers the customers along with their perception about certain product or service. On this basis, the business sets a certain price and then starts manufacturing that product. The expected value and price provide guideline for the cost and design of the product so that it can match the perceptions of the customers.

It is difficult for a business organization to ascertain the different perceived value by the customers on different products. For this purpose these organizations conduct surveys and experiments. If a business keeps the price of its product higher than the perceived value of customers, then its sales are affected. On the other hand, if a business keeps its product's price lower, then maybe its sales increase, but the profit does not increase accordingly. Therefore, those organizations, which want to adopt this value-based pricing strategy, should keep the price of their products in accordance with their perceived value by customers. But more effective strategy is that the businesses should try to deliver more value to the customers than they perceived in order to retain them as loyal customers.

3. **Competition-Based Pricing Approach:**

In this pricing model, businesses keep the price of their products or services on the basis of the prices of their competitors. Also, customers in the market perceived value to any product or service in relation to prices of similar products of competitors. So there is some sort of going rate pricing in which the prices of products are altered according to changes in the prices of competitors. For example, steel or fertilizer manufacturing businesses face oligopolistic competition in which they charge almost similar prices in the market same like the competitors. There is a market leader whose price is followed by all other smaller competitors. When the price of market leader is changed, other competitors in the market also adjust their prices accordingly. Some smaller business may keep a slight difference in their price as compared to the market leader, but this slight difference remains constant in different conditions.

There is one big advantage of adopting this ongoing rate of competition based pricing, which is the prevention of price wars in the market among competitors.

Price sensitivity

Price sensitivity can be **defined** as the degree to which consumers' behaviors are affected by the **price** of the product or service. **Price sensitivity** is also known as **price** elasticity of demand and this **means** the extent to which sale of a particular product or service is affected.

Meaning and definition of Price Sensitivity

Price sensitivity can be defined as the degree to which consumers' behaviors are affected by the price of the product or service. **Price sensitivity** is also known as **price elasticity of demand** and this means the extent to which sale of a particular product or service is affected. Another way of explaining price sensitivity is, "the consumer demand for a product is changed by the cost of the product. It basically helps the manufacturers study the consumer behavior and assists them in making good decisions about the products. The level of price sensitivity varies depending on various products and consumers. Price sensitivity, in economics, is generally quantified through the price elasticity of demand.

As explained by Investopedia, homogenous good which are widely available are more prone to show evidence of price sensitivity. For instance, very often the consumers are not agreeable to pay even a few cents per gallon for gasoline, especially if a lower priced station is located nearby. Besides, some consumers are more price sensitive as compared to others. Consumers having fixed income or who are more frugal have a tendency to pinch pennies and look around for lesser prices. In the meantime, some consumers with a higher income might feel that searching for better deals many a times might not be worth their time thus being less price sensitive.

Explaining the concept of price sensitivity

In the past, many trade companies relied on two most common pricing strategies:

- "Cost plus" pricing which requires companies to make regular adjustments as their costs increase. Some cost charges like rent hike or collective bargaining agreement can, however, impact market participants in different ways thus forcing some companies to have their prices more than the competitors.
- "Competitive pricing" is the second common pricing strategy. This strategy involves setting prices on the basis of price set by the competitors. This approach can, however, be problematic if the pricing does not reflect imperative differences in what is being proffered. Moreover, this approach presumes the competition creates the most effective price for a product or service.

Both of the aforesaid pricing approaches, however, share common failings. The most important one is the lack of critical information on what is willingly being paid by the consumers. Secondly, these pricing strategies depend largely on subjective judgment of the management instead of depending on data-driven empirical evidence determining the impact of distinctive pricing levels on demand.

Wrapping up, analyzing price sensitivity is highly useful in attempts to determine the impact created by the actual outcome of a specific variable if it is different from what has been assumed previously.

Price sensitivity can be measured by dividing the percentage in the quantity purchased of the product or service with the percentage change in the price.

Formula

The standardized formula for measuring price sensitivity is:

$$\text{Price Sensitivity} = (\text{Change in Quantity Purchased} / \text{Change in Price}) * \%$$

Example:

In order to observe the price sensitivity, let us consider that, when Nestle apple nectar prices increase by 60%, the juice purchases fall with the figure of 25%. Using the mentioned formula we can easily calculate the price sensitivity for nestle apple nectar:

$$\text{Price Sensitivity} = -25\% / 60\% = -0.42$$

Therefore, we can conclude that for every of the percentage with which the Nestle apple nectar price increases; it affects the purchase by almost more than half percentage. Likewise, all the products can be studied by taking into account the changes in price and increase or decrease in the demand.

Those products are said to be price sensitive in which the change in price is not much but the demand is affected on the large scale. This is the case usually with the convenience products or the products which have a huge range of alternatives. Those products which are not much reactive to change in price are called price inelastic. Such products are usually daily used products and are a necessity of life and consumers do not have any other option other than purchasing them.

There are ten factors affecting the price segmentation and sensitivity strategies:

1. Perceived substitutes effect

This effect states that buyers are more price sensitive the higher the product's price relative to its perceived substitutes and new customers to a market may be unaware of substitutes, and thus pay higher prices than more experienced buyers.

2. Unique value effect

Buyers are less price sensitive the more they value the unique attributes of the offering from competing products. This is precisely why marketers expend so much energy and creativity trying to differentiate their offering from that of their competitors.

3. Switching cost effect

Buyers will be less price sensitive the higher the costs (monetary and nonmonetary) of switching vendors .e.g. airline industry

4. Difficult comparison effect

Customers are less price sensitive with a known or reputable supplier when they have difficulty in comparing alternatives. E.g. Cellular phone companies

5. Price quality effect

Buyers are less sensitive to a product's price to the extent a higher price signals better quality. E.g. image products, exclusive products.

6. Expenditure effect

Buyers are more price sensitive when the expenditure is larger, either in dollar terms or as a percentage of household income. E.g. accounting firm

7. End-benefit effect

The larger the end-benefit, the less price sensitive the buyer. This effect is especially important when selling to other businesses. What is the end-benefit they are seeking? Is it cost minimization, maximum output, quality improvement? The fulfillment of the end-benefit is often gauged by its share of the total cost. E.g. steel suppliers

8. Shared-cost effect

when you spend someone else's money on yourself, you are not prone to be price conscious. This is one reason airlines, hotels, and rental car companies can all price discriminate against business travelers, because most of them are not paying their own way.

9. Fairness effect

Notions of fairness can certainly affect customers, even when they are not economically (or mathematically) rational. E.g. a gas station

10. Inventory effect

The ability of buyers to carry an inventory also affects their price sensitivity. E.g. Amateur cooks with large pantries

Value pricing

Definition of **value-based pricing**. The term is used when **prices** are based on the **value** of a product as perceived from the customer's perspective. The perceived **value** determines the customer's willingness to pay and thus the maximum **price** a company can charge for its product.

The term is used when prices are based on the value of a product as perceived from the customer's perspective. The perceived value determines the customer's willingness to pay and thus the maximum price a company can charge for its product.

An essential component of value-based pricing is the necessity to determine the value for the customer. In order to define the value a customer associates with a product, the customer value model can be applied. This concept evaluates the economic benefits a product can offer to the customer.

Example

If business consultants determine their rates as a percentage of costs saved for their clients due to their work, they apply value-based pricing. In this case they calculate their rates depending on the benefits they generate for their clients

Markdown pricing:

Temporary reduction in the selling **price** of an item to stimulate its demand or to drive a competitor out of the market. Permanent **markdowns** are created to remove a slow-selling item from the inventory.

A simple definition of markdowns is the difference between the original retail price and the actual selling price. Markdown dollars are calculated by subtracting the Actual Selling Price from the Original Selling Price. Markdown percent is Markdown dollars divided by Sales.

The National Retail Merchants Association adds a bit more to the definition. They define a markdown as "a reduction in the originally marked retail price of merchandise, primarily taken for clearance of poor selections, broken assortments, prior stock, for special sales events, and to meet competition." Markdowns may be permanent or temporary. Generally, a temporary markdown is called a Point of Sale markdown and handled at the point of sale. It is only taken when there is a sale. These would include 4th of July or Back to School "sales". If, however, the retailer made a mistake and bought too large of an assortment of umbrellas and raingear and the area suffered a drought, these items might receive a permanent markdown as the value is reduced permanently that season and the goal is to turn the merchandise into cash and get it out of the store as quickly as possible. If the permanent markdown is removed or cancelled at some later date, the retail price reverts to original selling price, the resulting amount is called a markdown cancellation, not a markup.

In the retail world, markdowns may not be liked but they cannot be avoided. They are a fact of doing business. Colors or styles unpopular with your customers will only move with significant markdowns. Of course, any time you take a "deal" and purchase three year's inventory of socks you are taking a huge chance. What if a new fiber is introduced or a new color or design becomes all the rage and all of your sock budget is tied up in what was bought last year. If you really want to know if you have made a poor buying choice, study your markdown racks.

Over-buying is the #1 cause of excessive markdowns. Stores don't go out of business due to high markdowns. They go out of business because they can't move the merchandise quickly enough to bring in the required cash to meet their obligations. Stores suffering from cash flow problems may have difficulty paying their vendors on time. And how many employees will work without receiving their paycheck in a timely manner?

Also, keep in mind, the price paid for an item has nothing to do with the markdown price. Customers do not care how much the buyer paid for the merchandise. When it comes to sales and merchandise choices, a professional buyer's only concern should be how quickly the inventory will convert to cash. Sometimes mistakes are made and those "really cute hats" that the buyers knew would sell like hot cakes just don't. Sometimes, the only person who just loves those hats is the buyer and vendor who sold them . . . especially the vendor who knows they will not have to take them back.

From time to time, stores are reluctant to take large markdowns, and in some cases even refuse, to mark anything down below cost. The idea is that money may be lost when in reality much more is at stake by not getting cash out of slow selling stock and replacing it with new product. The only thing worse is storing merchandise year after year just to bring items out next season. Your regular customers know when you bring out the same merchandise over and over.

Generally, those markdowns relating to the customer-education factor (or just over-buying . . . again) will be permanent markdowns. These markdowns may be referred to as "backroom" markdowns, "bulk" markdowns or "permanent" markdowns. These markdowns serve to devalue the inventory for reporting purposes decreasing both insurance and taxes (if applicable). Remember, the markdown can be reversed if the circumstances change.

On the other hand, markdowns intended to stimulate sales throughout the store are usually called temporary markdowns or point of sales markdowns. These are taken when the item sells and do not devalue all inventory in that class.

Markdowns from Overbuying

- * Failing to plan sales by class
- * Failing to buy in small experimental quantities prior to placing large orders
- * Buying more goods than needed in view of stock on hand and planned sales
- * Buying the wrong styles, colors, fabrics or sizes
- * Poor scheduling of deliveries
- * Overdependence on a few "pet" resources
- * Failure to examine incoming merchandise for quality control

Markdowns from Poor Pricing

- * Setting initial mark-up too high
- * Setting initial markup too low so customers are suspicious of the value
- * Failure to check competitors prices for same or similar merchandise
- * Deferring price reductions too long
- * Making first markdown too small-a 10% or 15% markdown does not mean much today

Selling Errors leading to Markdowns

Poor display of merchandise on the sales floor
Failure to educate sales staff about merchandise
Careless handling of merchandise
High pressure selling leading to high returns

Sales policies Leading to Markdowns

- * Meeting price competition
 - * Having special sales of regular stock
 - * Using special sales of promotional merchandise leading to promotional remainders
 - * Maintaining complete assortment through most of the season
 - * Having large markups coupled with large markdowns to exploit the comparative price appeal
 - * Taking premature markdowns
 - * Policy of carry-over
 - * Giving away free samples to customers
-

Place – Supply channel – SCM principles – Retail logistics – computerized replenishment system – corporate replenishment policies.

Place

Retail Location is considered to be one of the most important elements in retail decision.

The right location is often critical to the success of a business.

Factors to be considered while selecting a Place

- Density of Target Market
 - Uniqueness of retail offering
 - Legal Considerations
 - Environmental Issues
- Local Competitions Traffic
Density
- Cost of location
 - Proximity to other business
 - Adequate space for parking

Retail Supply Chain

A supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials and components into a finished product that is delivered to the end customer.

Supply Chain Management is concerned with the management of the flow of goods, flow of cash, and flow of information internally and externally of a company or a group of companies that share the same value chain.

It includes the movement and storage of raw materials, work-in-process inventory and finished goods from origin to point of consumption. Supply chain management has been defined as the “ design, planning, execution, control and monitoring of supply chain activities with the objective of creating value to customers, building a competitive infrastructure, leveraging logistics, synchronizing supply with demand and measuring performance.

1. Planning: A plan or strategy must be developed to address how a given good or service will meet the needs of the customers.
2. Sourcing: This component involves building a strong relationship with suppliers of the raw materials needed to make the product the company delivers.
3. Making: This is the manufacturing section of Supply Chain Management. The product is manufactured, tested, packaged and scheduled for delivery.
4. Delivering: This component in Supply Chain Management is logistical and involves the company creating warehouse networks, coordinating the receipt of orders from customers, deciding on the transportation and shipment methods, and setting up invoices to receive payment.
5. Returning: This is the final, service oriented part of the supply chain. In this component, the company tries to create a network that is responsible for receiving defective products or excessive amounts of them, as well as maintaining the original products sent to the customer.

Logistics management is the function of managing the total flow of materials which includes movement of raw materials from suppliers, in process within the firm and movement of finished goods to the customer.

1. Order Processing
2. Transport Management
3. Inventory Management
4. Ware Housing
5. Materials Handling
6. Packaging
7. Production Scheduling
8. Information System

Retail Promotional Strategies

Sales promotion strategies are powerful tools to give marketing campaigns an extra edge in attracting new customers. Sales promotions rely on consumers' price sensitivity to encourage them to try new products. Retail promotion is simply the way the retailers communicate with their publics. They exchange meanings with them through the messages they create and the media they use.

Setting Promotional Strategies

Building Awareness

Create Interest

Provide Information

Stimulate Demand

Reinforce the brand

Promotional Mix

The communication or promotion mix includes the following four ingredients

Advertising: It is defined as any paid form of non-personal presentation and promote of ideas, goods and services by an identified sponsor. It is impersonal salesmanship of mass selling, a means of mass communication.

Publicity: It is non-personal stimulation of demand for a product, service or a business unit by placing commercial significant news about it in a publication or obtaining favourable presentation of it upon radio, television, or stage that is not paid for the sponsor.

Personal Selling: It is the best means of oral and face-to-face communication and presentation with the prospects for the purpose of making sales. There may be one prospect or a number of prospects in the personal conversation.

Sales Promotion:

It covers those marketing activities other than advertising, publicity and personal selling that stimulate consumer purchasing and dealer effectiveness. Such activities are displays, shows, exhibitions, demonstrations and many other non-routine selling efforts at the point of purchase.

Nature of Promotion

It is Informative process

It is persuasive process

It is motivating process

Brand Switching

Promotion is an investment

Promotion is directed towards a target group

Promotion calls for economics

It is an intelligence process

1. It attracts more customer to the product
2. It encourages the middlemen to buy and store more
3. It encourages the sales force by offering incentives to salesmen
4. It boosts sales in the short and long term
5. It reinforces the brand image with the customer.

HUMAN RESOURCE MANAGEMENT IN RETAILING

Human Resource Management

Human Resources Management is defined as managing (planning, organizing, directing & controlling) the functions of employing, developing, and compensating human resources resulting in the creation & development of human relations with a view to contribute proportionately to the organizational, individual & social goals.

DIFFERENCE BETWEEN PERSONNEL MANAGEMENT & HRM PERSONNEL MANAGEMENT:

Means persons employed. PM views man as economic man who works for salary. HRM treats people as human beings having economic, social & psychological needs

OBJECTIVES OF HRM

1. Societal Objectives: To be ethically & socially responsible to the needs & challenges of the society
2. Organizational Objectives : To recognize the role of HRM in bringing the organizational objectives
3. Functional Objectives: To maintain the dept's contribution at a level appropriate to the organization's needs. Resources are wasted if HRM is less sophisticated to suit the organizational demands.
4. less sophisticated to suit the organizational demands.
5. Personal Objectives: to assist the employees in achieving their personal goals to enhance the individual contribution.

IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

1. Human Resource Management in the Nation's Well-Being

A nation with abundant physical resources will not benefit unless HR makes use of them. HR with the right attitude is responsible for making use of national resources

2. Man vis-à-vis Machine

Most of problems in the organization are human, social, psychological rather than physical, technical or economic.

3. HRM is a central subsystem:

HRM operates upon and controls all other subsystem. Social significance, proper management of the personnel enhances their dignity by satisfying their personal needs.

4. Professional Significance

By providing healthy working environment it promotes team work in employees

5. Significance for individual Enterprises is achieved, by creating the right attitude among employees through effective communication.

HRM FUNCTIONS

A. Managerial Functions

1. Planning

Planning is pre-determined course of action. It involves planning of HR requirements, recruitment, selection, training. Involves forecasting of personnel needs, changing values, attitude & behavior of employees & their impact on their organization

2. Organizing

Organizing explains to carry out determined course of action. Organization is a structure by which co-operative group of human beings allocates its task among its members, identifies relationships & integrates its activities towards a common objective.

3. Directing

Directing defines execution of plan. At any level the function is motivating, commanding, leading & activating people.

4. Controlling

The performance has to be verified to check if the personnel functions are performed in conformity with the plans & directions of organization.

B. Operative Functions

1. Employment is concerned with securing & employing the people to achieve organizational objectives. It covers functions such as job analysis, human resource planning, recruitment, selection and internal mobility.

2. Human Resource Development:

HRD is process of improving, molding & changing skills, aptitude and attitude, values based on present & future job requirements.

3. Compensation

Is process of providing adequate & fair remuneration to the employees.

4. Human Relations

Is concerned with practicing policies & programs like employment, development, compensation & interaction among employees & create a sense of relationship between individual workers, management & trade unions.

5. Industrial Relations

IR is relation study among employees, employer, government & trade unions.

6. Recent Trends in HRM :

Includes Quality of work life, total quality in human resources, HR Accounting,

Audit & Research

“Human Resource Planning (HRP) is a process by which an organization should move from current manpower position to its desired manpower position striving to have right number, right kind of people at right place & at right time resulting in both organizational and individual receiving maximum benefit”- E.W.Vetter

Human Resources Planning means deciding the number and type of human resources required for each job, unit and total company for a particular future date in order to carry out organizational objectives.

OBJECTIVES OF HRP

1. To recruit and retain the HR of required quality & quantity
2. To foresee the employee turnover and make arrangements for minimizing turnover and filling up vacancies
3. To meet the needs of expansion and diversification
4. To improve the standard, skill, knowledge, discipline
5. To access the surplus and shortage of HR
6. To estimate the cost of HR

BENEFITS OF HUMAN RESOURCE PLANNING

1. It checks the corporate plan of the organization.
2. It offsets uncertainty & change. This enables the organization to have right men at right time and in right place.
3. It helps to anticipate the cost of salary enhancement, better benefits.
4. To foresee the need for redundancy and plan to check it or provide alternative employment in consultation with trade unions and government through remodeling and economic plans.
5. To foresee the changes in values, aptitudes and attitude of human resources.

Define Recruitment

“The process of searching for prospective employees and stimulating them to apply for jobs in the organization” Edwin B. Flippo

OBJECTIVES OF RECRUITMENT

To attract people with multi-dimensional skills & experiences that suit present & future organizational strategies.

To induct outsiders with a new perspective to lead the company. To infuse fresh blood at all levels of the organization.

To develop organizational culture that attracts competent people to the company. To search/ head hunt people whose skills fit in the company.

METHODS OF RECRUITMENT

1. Traditional Methods

The methods of recruitment is broadly classified as Internal & External

Internal

- a. Present Permanent Employees

Organizations consider the present employees for high level jobs due to availability of most suitable candidates for jobs or equally to the external source, to meet the trade union demands and to motivate the existing employees.

b. Present Temporary/ Casual Employees

Organizations consider temporary or casual employees for low level jobs or trade union pressures or in order to motivate them on the present job.

c. Retrenched/ Retired Employees

The organization retrenches the employees due to lack of work. The organization takes the candidates back due to lack of obligation and trade union pressure. The organizations prefer to re-employ their retired employees as token of loyalty to the organization.

d. Dependents of Deceased, Disabled, Retired /employees Organizations

provide employment to the dependents/ family members of deceased, disabled to build brand image & develop commitment.

External

a. Campus

Organizations get inexperienced candidates of different types from various educational institutions like colleges and train candidates in different disciplines

b. Private Employment Exchanges

Consultants perform recruitment functions on behalf of the client company by charging fees. The client company is relieved from recruitment functions.

c. Public Employment Exchanges

The Government setup Employment exchanges to provide information about vacancies to candidates.

d. Professional Organizations

Associations maintain complete bio-data of their members and provide the same to various organizations on requisition.

e. Data Banks

The management can collect the bio-data of the candidates from different sources like Employment Exchange and feed them in computer and provide the details of candidates on requisition.

f. Casual Applicants

Candidates apply casually through mail or hand over applications in HR Dept. This is suitable for temporary or low level jobs.

g. Trade Unions

Employees seeking change in employment put a word to the trade union leaders with a view to getting suitable candidate.

i. Modern Methods

a. Internal

Employee Referral

Present employees are aware of qualifications, attitude, experience and emotions of their friends and relatives. They are aware of job requirements and organizational culture of their company. Hence the HR Managers of the company depend on present employees for reference of the candidates for various jobs. This reduces time and cost required for recruitment.

External

1. Walk-in

The busy organization and rapid changing companies do not find time to perform various functions of recruitment, therefore they advise the potential candidates to attend interview directly and without prior application on a specified date, time and place.

2. Consult-In

The busy and dynamic companies encourage potential job seekers to approach them personally and consult those regarding jobs.

3. Head Hunting

The company's request the professional organizations to search for jobs for the best candidate particularly for senior executive positions. Head Hunters are also called as 'Search Consultants'

4. Body Shopping

Professional organizations and hi-tech training institutes develop the pool of human resource for possible employment. The prospective employers contact these organizations to recruit the candidates or the organizations themselves approach the prospective employers to place their human resources. These professional and training institutions are called 'Body Shoppers' and these activities are known as Body Shopping.

5. Mergers & Acquisitions

Strategic Business Alliances like acquisitions, mergers and take-overs helps in gathering human resources. In addition the companies also have alliances in sharing their human resources on adhoc basis.

6. Outsourcing

Some organizations recently started developing human resource pool employing the candidate for their own organization. These organizations do not utilize the human resource instead they supply HRs to various companies based on their temporary needs.

Training:-

Meaning & Definition:-

Training is the act of increasing the knowledge & skill of an employee for doing a particular job.

Dale.S.Beach defines the training as “... the organized procedure by which people learn knowledge &/or skill for a definite purpose”.

Need & Importance of Training

Training is necessary for the following reasons:-

i) Increased Productivity:-

Training improves the performance of employees. Increased skill & efficiency results in better quantity & quality of production. A trained workforce will handle machine carefully & will use the materials in an economical way.

ii) Higher Employee Morale: - A trained worker derives happiness & job satisfaction from his work. It also gives him job security & ego satisfaction.

iii) Less Supervision:- The degree of supervision required for a trained worker will be less. Trained workers may contribute significantly in reducing managerial problems of supervision.

iv) Less Wastages:- Untrained workers may waste more materials, damage machines & equipments & may cause accidents. A trained worker will know the art of operating the machine properly. The control of various wastes will substantially reduce the manufacturing cost.

i) Easy Adaptability:- The technological advancement will require new approach to work. The methods of work are constantly undergoing a change.

This will necessitate the adaptability of workers to changing work environment. A trained worker can be more adaptable to change. The trained persons will adapt to new situation more easily because they have basic technical knowledge.

ii) Reduced Turnover & Absenteeism:- Labour turnover & absenteeism are mainly due to job dissatisfaction when a worker is properly trained he will take keen interest in his job & can derive satisfaction from it Training helps in reducing labour absenteeism by increasing job satisfaction among them.

iii) Employee Development:- Training also helps in the development of employees. It first helps in locating talent in them & then developing it to the maximum. Training provides employee an opportunity to showcase his talent also.

Benefits of Training

- i) Leads to improved profitability &/or more positive attitudes toward profits orientation.
- ii) Improves the job knowledge & skills at all levels of the organization.
- iii) Improves the morale of the workforce.
- iv) Helps people identify with organizational goals.
- v) Helps create a better corporate image.
- vi) Fosters authenticity, openness & trust
- vii) Improves the relationship between boss & subordinate.
- viii) Aids organizational development.
- ix) Helps prepare guidelines for work.
- x) Provides information for future new in all areas of the organization.
- xi) Organisation gets more effective decision making & problem solving.
- xii) Aids in developing leadership skill, motivation, loyalty, better attitude & other aspect that successful workers & managers usually display.

TRAINING METHODS:-

Training methods are broadly divided into two. They are

- i) On – the – job method
- ii) Off – the – job method

On – the – Job Training Methods:-

On the Job methods refers to methods that are applied in the workplace, while the Employee is actually working.

- i) Job Rotation:- This type of training involves the movement of the trainee from one job to another. The trainee receives job knowledge. & gains experience from his supervisor or trainer in each of the different job assignments. This method gives an opportunity to the trainee to understand the problems of employees on other jobs & respect them.
- ii) Coaching:- The trainee is placed under a particular supervisor whose functions as a coach in training the individual. The supervisor provides feedback to the trainee on his performance & offers him some suggestions for improvement. A limitation of this method of training is that the trainee may not have the freedom or opportunity to express his own ideas.
- iii) Job Instruction:- This method is also known as training through step by step. Under this method the trainer explains to the trainee.
- iv) Apprenticeship training:- It is meant to give the trainee sufficient knowledge & skill in those shades & crafts in which a long period of training required for gaining complete proficiency. The way of doing the jobs, job knowledge & skills & allows him to do the job. The trainer Appraises the performance of the trainee, provides feedback information & corrects the trainer.
- v) Internship:- In internship training, educational institutions & business firms have a joint programme of training. Selected candidates carry on regular. Studies for the prescribed period. They also work in some factory or office to acquire practical knowledge & skills. This method helps to provide a good balance between theory & practice.

Off – the – Job Training Methods:- off the job training refers to training imported away from the Employee's immediate work area. The employee is separated from the job situation & his attention Is focused exclusively on learning which can later lead to improved job performance.

Off the job training methods are a follows:-

- i) Vestibule Training: - This is a training method where the actual work conditions are simulated & the equipment used by the trainees is similar to what is used on the job. In this way, the trainees gain experience of using the equipment without any pressures of work or cost involved.

- ii) **Role Playing:-** It is described as a method of human interaction involving realistic behaviour in imaginary situations. The trainees assume the roles of different characters in the organizational context. It basically helps in improving the communication, people-management & relationship management skills of the trainees.
- iii) **Case Exercises:-** A real life problem encountered in the organization is presented to the trainees in the form of case study. They are then asked to analyse the case & present their views & recommendations for solving the problem.
- iv) **Sensitivity Training:-** This method aims to influence an individual behaviour through group Decision. The trainees are enabled to see themselves others see them & develop an understanding of others views & behaviour
- v) **Conference or Discussion:-** It is a method in training the clerical, professional & supervisory Personnel. This method involves a group of people who pose ideas, examine & share facts, ideas & Data, test assumptions & draw conclusions all of which contribute to the improvement of job performance.
- vi) **Programmed Instructions:-** The trainee is given a series of questions after he studies the relevant material required for the accomplishment of the job. After the trainee answers a question, he himself gives an immediate feedback whether it is right or wrong. If the answer is correct, he is asked to proceed to the next question but if it is wrong, he is asked to refer back to the material.
- vii) **Classroom Lecturers:-** This approach is widely used for helping the employees understand the rules procedures & policies of the organization. A two way communication makes a session lively interesting.

Training is an essential part of the orientation program for new recruits in an organization.

The main objectives of training are:-

- i) **Improving Employee Performance:**
When an employee is recruited by an organization, he might not have all the skills required to carry out his job. Training the employee at this stage helps him learn his job faster & excels better performance. Training also helps in bridging the gap between the actual & the expected performance of the employees by enhancing their knowledge & skills.
- ii) **Updating Employee Skills:-**

Technological changes may result in job changes in terms of the tasks & activities involved. Training enables employees to update their skills & helps integrate the technological changes successfully into organizational systems & processes.

iii) **Avoiding Managerial Obsolescence:-**

Managerial obsolescence is the failure to adopt new methods & processes that can improve employee & organizational performance. Rapid changes in technical, legal & social environments have an impact on the way managers perform their jobs, & those who do not adopt to these change become absolute & ineffective.

iv) **Preparing for Promotion & Managerial Succession:-**

Training helps an employee acquire the skills required to assume greater responsibilities. It makes the transition from an employee's present job to the next one, easier & smoother.

v) **Retaining & Motivating Employees:-**

One way to motivate & retain employee is through a systematic program of career planning & development.

vi). **Creating an Efficient & Effective Organisation:-**

A manager who has well trained & well equipped employees need to spend less time supervising them. Accidents at the workplace can also be reduced by effective training of the employees.

PERFORMANCE APPRAISAL & COMPENSATION

Performance appraisal can be defined as the process of evaluating the performance of an employee & communicating the results of the evaluation to him for the purpose or rewarding or developing the employee.

According to Edward Flippo "Performance appraisal is the systematic, periodic & an impartial rating of an employee's excellence in matters pertaining to his present job & his potential for a better job."

Objectives of Performance Appraisal

1) **Work – Related Objectives:-**

- a) To assess the work of employees in relation to job requirements
- b) To improve efficiency

- c) To help management in fixing employees according to their capacity, interest, aptitude & qualifications.
 - d) To carry out job evaluation.
- 2) Career Development objectives:-
- a) To assess the strong & weak points in the working of the employees & finding remedies for weak points through training.
 - b) To plan career goal
 - c) To guide the job change with the help of continuous ranking.
- 3) Communication:-
- a) To provide feedback to employee's so that they come to know where they stand & can improve their job performance.
 - b) To clearly establish goals i.e what is expected of the employee in terms of performance & future work assignment.
 - c) To develop positive superior – subordinated relations & thereby reduce grievances.
- 4) Organizational Objectives:-
- a) To serve as a basis for promote or demotion
 - b) To serve as a basis for wage & salary administration & considering pay increases & increments.
 - c) To serve as a basis for planning suitable training & development programme
 - d) To serve as a basis for transfers of termination in case of reduction in staff strength.

METHODS OF PERFORMANCE APPRAISAL

Performance appraisal methods can be classified into two. They are:-

- 1) Traditional methods**
- 2) Modern methods**

Traditional methods:- It is also known as Traits approach. It is based on the evaluation of traits in a person.

A) **Graphic Rating Scale:-** This method of appraisal requires the rater to rate the employee on factors like quantity & quality of work, job knowledge, dependability, punctuality, attendance, etc.

Rating Scales are of two types viz

- a) Continuous rating scale
- b) Discontinuous rating scale.

In continuous order like 0,1,2,3,4 & 5 & in discontinuous order, the appraiser assigns the points to each degree.

B) **Ranking Method:-** It is otherwise called as Straight ranking method. It is the simplest & old method of merit rating. Every employee is judged as a whole without distinguishing the rates from his performance. A list is then prepared

for ranking the workers in order of their performance on the job so that an excellent employee is at the top & the poor at bottom.

Advantages:-

It permits comparison of all employees in any single rating group regardless of the types of work.

It is suitable only when there are limited persons organization.

Disadvantages:-

This method only tells us about & not the actual difference among them.

C) Paired Comparison method:-

Under this method, the appraiser compares each employee with every other employee, one at a time. For example, there are five employees named A, B, C, D & E. The performance of A is first compared with the performance of B & a decision is made about whose performance is better. Then A is compared with C, D & E in that order. The same procedure is repeated for other employees. After the completion of comparison, the results can be tabulated, & a rank is created from the number of times each person is considered to be superior.

D) Forced Distribution method:-

It is developed to prevent the raters from too high or too low. Under this method, the rate after assigning the points to the performance of each employee has to distribute his ratings in a pattern to conform to normal frequency distribution.

E) Checklist Methods:-

The checklist is a simple rating technique in which the supervisor is given a list of statements or words & asked to check statements representing the characteristics & performance of each employee.

F) Critical Incident Method:-

The appraiser makes a note of all the critical incidents that reflect the performance or behaviour of the employee during the appraisal period. These are recorded as & when they occur & can demonstrate either positive or negative traits or performance. At the end of the appraisal period this records forms the basis for evaluation of the performance of the employee.

G) Essay or Free Form Appraisal:-

This method requires the manager to write a short essay describing each employee's performance during the rating period. Questions or Guidelines are provided to the appraiser, based on which he analysis & describes the employee's performance.

H) Group Appraisal:-

All employee is appraised by a group of appraisers. This group consists of the immediate supervisors of the employee to other supervisor's who have close contact with the employee's work, manager or head of department & consultants. This method widely used for purposes of promotion, demotion & retrenchment appraisal. Eq:- Blue Star

I) Confidential Report:-

Assessing the employee's performance confidentially is a traditional method. The superior appraiser the performance of his subordinate based on his observations, judgment & intuitions.

II Modern Methods:-

Modern concerns use the following methods for the performance Appraisal

A) BARS (Behaviorally Anchored Rating Scales):-

BARS concentrates on the behavioral traits demonstrated by the employees instead of his actual performance.

These are three steps in implementing a BARS system. They are: -

- i) Determination of relevant job dimensions by the manager & the employee for each job dimension.
- ii) Identification of behavioral anchors by the manager & the employee for each job dimension.
- iii) Determination of the scale values to be used & grouping of anchors for each scale value, based on consensus.

Example:-

Dimension: Planning & Organising Anchors

Scale Value

5[] Excellent Develops a comprehensive plan, documents well, obtain approval & distributes to all concerned.

4[] Good Lays out all plane.

3[] Average Revises due dates as project progresses & investigate customer complaints

2[] Below Average Poor plans & unrealistic time schedules are common

1[] Unacceptable Fails due to lack of planning & is not interested in improving.

B) Assessment Centre:-

An assessment centre is a central location where the managers may come together to participate in job related exercises evaluated by trained observers. The principle idea is to evaluate managers over a period of time, by observing & later evaluating their behaviour across a series of select exercises such as role-playing in basket exercises, etc.

C) Human Resources Accounting:-

It deals with cost of & contribution of human resources to the organization. Cost & Contribution of human resources to the organization. Cost of the employee includes cost of manpower planning, recruitment, selection, placement, induction, training, development wages & benefits, etc. Employee contribution is the money value of employee service which can be measured by labour productivity or value added by human resource.

Cost of human resources may be taken as standard. Employee performance can be measured in terms of employee contribution to the organization.

D) Management by Objective:- (MBO)

Management by objective is a process whereby the superior & subordinate managers of an organization jointly identify its common goals, define each individuals major areas of responsibility in terms of results expected

of him & use these measures of guides for operating the unit & assessing the contribution of its members.

Four Steps in MBO process

- 1) It is to establish the goals each subordinate is to attain.
- 2) Setting the performance standards for the subordinates.
- 3) Actual level of goal attainment is compared with the goals.
- 4) Establishing new goals & possibly new strategies for goals not previously attained.

E) Psychological Appraisal:-

It focuses on future potential & not actual performance. Industrial psychologist are employed for conducting the appraisal.

The appraisal normally consists of in depth interviews, psychological tests, discussions with supervisors & a review other evaluations.

The psychological appraisal results are useful for decision making

- i) Employee Placement
- ii) Career Planning & development
- iii) Training & Development

F) Results Method:-

Organisation of the contemporary periods evaluates employee performance based on accomplishments they achieve rather than based on the behavioural factor/traits. Employee accomplishments include sales turnover, number of units produced, & number of customers served, number of complaint settled & the like.

G) Balance Scorecard:-

It was developed by Robert Kaplan & David Norton. It brings the linkages among financial, customer, processes & learning .

H) Managerial Appraisal:-

Harold Koontz has developed a concept of managerial appraisal i.e appraising managers as managers. According to this concept, the managers attain organizational objectives by performing the basic managerial functions Viz. planning, organizing, leading, motivating, staffing & controlling.

The checklist containing the questions in these areas is prepared with a five degree rating scale i.e extremely poor performance, neither poor or not fair performance, fair performance. The appraisers rate performance of managers by assessing weights to the scale & appraise only those areas which are clear & are supported by adequate knowledge.

i) 360 Degree Performance Appraisal:-

The employee's performance is evaluated by his supervisor, his peers, his internal/external customers, his internal/external suppliers & his subordinates.

Limitation / Pitfalls of Performance Appraisal

- 1) Halo Effect:- The appraiser allow a single characteristic of the appraise to dominate his judgment of the employee performance. This can result in either a positive or negative report.
- 2) Leniency Effect:- This refers to the situation where the appraiser tends to give high ratings & only positive feedback to the appraise, irrespective of his actual performance.
- 3) Stringency Effect:- An appraiser which feels that the rules & standards of the organization are not strict enough, tries to be very strict in rating his appraises. This might lead to dissatisfaction among his appraises as they would feel that the evaluation is biased & unfair.
- 4) Recency Effect:- This occurs when the recent performance of the appraise dominates the appraisal. The appraiser tends to get influenced by the performance of the employee over the last 2-3 months of the appraisal period as it is still fresh in his memory. An employee who has perform well for the preceding nine months but fail to maintain the same level of performance in the last 3 months preceding

the appraisal might get the same rating as or an inferior one than someone who performed well only in the last 2-3 months of the appraisal period.

- 5) Primacy Effect:- The performance of the appraiser at the beginning of the appraisal period dominates the evaluation.
- 6) Central Tendency Effect:- It is the tendency of the appraiser to rate most of the appraiser in the middle of the performance scale. The appraiser gives neither high nor low ratings & tends to give ratings in the middle of the scale to all the appraisers.
- 7) Stereotyping:- It involves judging someone based on the group he belongs to & the appraisers perception of the group.

Uses of Performance Appraisal

Apart from evaluating the performance of the employee for rewards/punishment & development, a good performance appraisal system has many other users. Some of these are listed below.

- i) Training & development needs of the employees can be determined.
- ii) Organisational effectiveness can be improved by improving the individual performances of the employees.
- iii) The performance appraisal system forms the basis for compensation management in the organization.
- iv) Can be used as basic for transfers, promotions & other career planning activities & individual employees.
- v) It also helps in succession planning in the organization.

Compensation

Compensation is the remuneration paid by the management to the employee for his/her contribution to the organization.

Compensation includes Wages/Salary, incentives, bonus & social security measures or fringe benefits.

Definitions & Concepts

Wage & Salary administration:- is essentially the application of systematic approach to the problem of ensuring that the employee are paid in a logical, equitable & fair manner.

Wage:- Indian Labour Organisation defines the term Wage as the “the remuneration paid by the employer for the services of hourly, daily, weekly & fortnightly employees.

Salary: - The term salary is defined as the remuneration paid to the clerical & managerial personnel employed on monthly or annual basis. It is also known as Basic Pay.

Earnings :- Earnings are the total amount of remuneration received by an employee during a given period. These include salary, dearness allowance, House rent allowance, city compensatory allowance, other allowances, over time payments, etc.

terms Nominal/Money Wage:- It is the Wage paid or received in monetary

Real Wage:- It is the amount of Wage arrived after discounting nominal wage by the living cost. It represents the purchasing power of money wage.

Objectives of compensation

1) To acquire qualified competent personnel:- Candidates decide upon their career in a particular organization mostly on the basis of the amount of remuneration the organization offers qualified & competent people join the best – paid organization.

2) To retain the Present Employees:- If the salary level does not compare favourably with that of other similar organizations, employees quit the present one & join other organizations.

- 3) To secure Internal & External Equity:- Internal equity does mean payment of similar wages for similar jobs within the organization External equity implies payment of similar wages to similar jobs in comparable organizations.
- 4) To Ensure Desired Behaviour:- Good rewards performance loyalty, accepting new responsibilities & changes.
- 5) To Keep Labour & Administrative Costs:- In line with the ability of the organization to pay.
- 6) To facilitate pay roll administration of budgeting & wage & salary control.
- 7) To promote organization feasibility.

Unit V

IMPACT OF IT IN RETAILING

Non store retailing (E tailing) The impact of Information Technology in retailing - Integrated systems and networking – EDI – Bar coding – Electronic article surveillance – Electronic shelf labels – customer database management system. Legal aspects in retailing. Social issues in retailing. Ethical issues in retailing.

IMPACT OF INFORMATION TECHNOLOGY IN RETAILING

Technology plays an important role in today's business environment. Many companies greatly rely on computers & software to provide accurate information to effectively manage their business. It is becoming increasingly necessary for all business to incorporate information technology solutions to operate successfully.

Over the past ten years, information technology has become pervasive throughout our society. We live in a networked world with internet access from our offices, at our coffee shops, at our homes, & on our mobile devices. IT is central to an organization's success in that it provides critical day-to-day operational support & enables enterprise wide change.

Let us consider an example of a customer at a department store. After selecting some goods he proceeds towards the billing counter. Here the billing clerk scans each product at the POS (point of sale) terminal the total number of items & the bill amount is added up. While doing so he has also checked with the customer if he is a member of the store's loyalty programs. The customer

confirms that he is gives him the store card for entry makes the payment by way of credit card & exits the store with his purchases.

Non-store Retailing (e-retailing)

Non-store retailing is a form of retailing in which sales are made to consumers without using stores. Therefore, the selling of goods & services without establishing a physical store is known as non- store retailing.

Types of Non-store retailing

Direct selling
Tele marketing

Automatic vending
Electronics retailing
Internet Marketing

1. Direct selling

Direct marketing is defined as an interactive system of marketing which uses non-personal media of communication to make a sale at any location or to secure a measurable response. It is a type of sale, where products are marketed directly to customers, eliminating the need for middlemen-wholesalers, advertisers & retailers. Direct sellers are not employees of the company. They are independent contractors who market & sell the products or services of a company in return for a commission on those sales.

Direct consumer selling may be undertaken in the following circumstances:

- i. If the manufacturer's plant is located near the majority of the customers, it would be easier to sell directly to them.

- ii. If the manufacturer is not satisfied with the services of established retailers or if the retailers refuse to stock his goods, he may sell directly to customers.
- iii. In case of new products, the manufacturer may like to introduce the same directly to the customers.
- iv. Articles of technical nature which requires demonstration before sale & as such services before sale can be best provided by the manufacturer.
- v. If the manufacturer wants to curtail retail prices of his products he can resort to direct consumer selling by eliminating various middlemen.
- vi. If the article is produced in small quantity, it is better to sell direct without intermediaries.
- vii. A manufacturer with enough capital & in a position to undertake the various marketing functions on his own may employ his sales force to establish his retail stores to sell his product directly to the customers.
- viii. Manufacturers of perishable & fashionable goods may sell directly to avoid physical deterioration or fashion obsolescence.
- ix. Manufacturers of products requiring after sales services may sell directly to consumers in order to maximize sales & giving maximum satisfaction to customers.

Methods of direct selling

A. Sale at the manufacturer's plant or head office

In this method, the consumer comes to the manufacturer to purchase the goods.

B. House to house selling

Manufacturer sometimes sell to the consumer through his salesmen who call at the door of the consumers. This is also known as door to door selling or direct selling by canvassers.

C. Sales by mail order method

Under this method, goods are sold to customers through post by sending registered or value payable parcels (VPP). The goods may be sent through railways & transport agencies.

D. Sale by opening own retail shops

When the manufacturer wants to establish a direct link with the customer & keep the price of the products in control, he can resort to direct consumer selling by opening his own retail shops.

E. Sale through mechanical devices

Goods are sold to customers by employing automatic selling machines or vending machines.

1. Suitable to small manufacturers

The manufacturers who are conducting activities on small scale basis, they may sell their products directly to consumers.

2. Success of new product

The manufacturer can impress upon the consumer in a better way as compared to wholesales & the retailers.

3. Increased sales

Direct consumer selling results in reducing the profits margin of middlemen & helps to customers to get the products at comparatively cheap price.

4. Personal attention

In direct selling, personal attention can be provided to cater to the needs of the customers.

5. Market information

By resorting to direct consumer selling, a manufacturer establishes a direct link with the customers & can gather valuable information with regard to customer's response, likes, dislikes & utility of the product.

Limitations of Direct Consumer Selling

1. Problems of recruitment & training of salesmen

Under this system, more salesmen are needed. There are many difficulties in the recruitment, selection & training of the salesmen.

2. Expensive

The system is expensive as it involves the appointment of salesmen & calling their meetings & get together expenses on market research. This leads to more operational cost on the part of the manufacturer work.

3. Suitable for limited number of products

This system cannot be applied with success in case of every product. Only light & household products can be effectively sold by salesmen by resorting to door to door selling.

4. Limited scope

As the consumers are widely scattered, it is very difficult for the manufacturer to establish a direct contact with the customers.

Tele Marketing

Tele Marketing is the act of selling, soliciting, or promoting a product or service over the telephone; the telephone is the most cost-efficient, flexible and statistically accountable medium available.

Types of Tele Marketing

1. **INBOUND TELE MARKETING:** It consists of handling incoming telephone calls- often generated by broadcast advertising, direct mail, or catalogues- and taking orders for a wide range of products.

2. **OUTBOUND TELEMARKETING:** It can be aimed directly at the end consumer; for example, a home repair business may call people to search for prospects and customers.

1. More of Human Interaction
2. Efficient for Small Business
3. Better Customer Service
4. Reduces field sales cost
5. Most flexible form of direct marketing
6. Response Measurement is possible by knowing the effectiveness of advertising.

1. No visual contact with customer.

2. More people are using technology to screen out unwanted callers, particularly

telemarketers.

3. Government is implementing tougher measures to curb unscrupulous telemarketers

4. Telephone conversation has very short memory.

5. Pre-purchase inspection of goods not possible.

ELECTRONIC RETAILING (E-TAILING)

It is the sale of goods and services through the internet. It can include business-to-business (B2B) and business-to-consumer (B2C) sales. Therefore e-tailing simply is the conducting of retail business via electronic media, especially via the Internet.

Key Strengths of e-tailing

1. Round the clock Business: With this distinct mechanism of commerce, the merchant can sell round the clock, everyday of the week, 24 hours a day and 365 days a year.
2. Consumer Convenience: Economy and convenience are the important reasons for investing and going on net transactions. Trading online makes it easy for people to buy from merchants online. The convenience of shopping from anywhere and at any time, from home or office is the major reason for consumers to buy online.
3. Level Playing Field: On internet no one knows you are a small business. As long as you have a product to sell or buy, you are on net. All you need is an e-mail identity where millions of those potential buyers and suppliers can reach and be ready to do the business with you.
4. Cost effective: As a medium of business, the Net affords the lowest transaction costs among all other methods of doing business.
5. Simplicity: The advancement in sophisticated communication technology has revolutionized the designing of Internet Technology. It is easy to use and the credit order can be possessed on the spot.

6. Improved Customer Service: With the emergence of e-commerce the supply chain is shortened. It improves services given to the customers, increases the productivity, efficiency, access to international market and cost reduction.
7. Lower Transaction Cost: If an e-commerce site is developed well, the web can significantly lower both order-taking cost and customer service cost.
8. Access to all markets: With the web marketing, a marketer located in any part of the globe can compete in the market of the whole world.
9. Reduction in setup cost: With web marketing, marketers can conduct his operation without decorative showrooms or retail shops.
10. Many products and services from single shop: A web marketer can offer a variety of services and products to the consumer from a single website, a single stop on the net. He is able to do this because the web provides direct and interactive access to the customer.
11. Quick Service: In modern times, speed has become a major ingredient of successful marketing. The marketing process can be completed with in a shortest possible time. This helps the marketer to enhance customer value.
12. Building relationship: Like other direct marketing methods, web marketing also helps build relationship with customers. On the web the marketer can provide lot of information about the product.
13. Enhanced productivity of sales: Web marketing also helps sales people to be more productive. Since basic transactions are taken care of by the computer programme, sales people are free to devote their time for more meaningful tasks.

14. Enables the marketer adjust to market conditions quickly: Marketing on the web enables the marketers to adjust fast to changing market conditions. They can quickly know what the market wants & offers it.

15. Consumer can 'get more for less': With the web marketing, consumers can get more value for their money. Web marketers make competitive offers to the customers.

16. Transparency: Web marketing provides for very high degree of transparency about business transaction, which was unknown in business transaction hitherto. There is no suppression of information.

17. Accuracy of Information: accuracy of information regarding schemes, discounts etc are all available accurately.

18. Customer loyalty: trading on the internet with security promotes customer loyalty. Online buyers tend to return to sites once they have visited before.

19. Creating new business models: with e-commerce one can create completely new business models. In mail order companies, there is a high cost of printing & mailing catalogues.

20. Security & privacy: today, secure encryption technology is available to provide high security to the data.

21. Instant payment: in recent years, markets do not like to accept cash or cheques. The problem with cheque is that it may get bounced sometimes. In a credit card & automatic teller machine, the merchants can get nearly instant approval & goods can be sent out immediately.

22. Increase market share: the internet is everywhere. It is changing the business environment in a great way. Small business are using it to reach wider

section of consumers. Retailers on the internet are doing potential business on groceries, books, toys, music, electronic goods & sending e-greetings to the customers.

CHALLENGES OF E-RETAILING

Implementing successful electronic commerce service is not as easy as most people might think. Many obstacles & challenges exist & they have revolved around the three major pieces of the e-retailing puzzle, money, technology & people.

Following are some of the important challenges of e-retailing:

1. Lack of awareness

The biggest challenge before successful e-retailing over the net is that of changing minds & attitudes of the merchants in tune with the emerging information technology. Further, optimism & strategic business productions are required. The single most important challenge today pertains to increasing awareness of the benefits of e-retailing to potential customers, educate the market & the customers will themselves opt for these services.

2. Lack of infrastructure

E-commerce infrastructure development is at its infancy stage in India. This unsatisfactory development is yet another major bottleneck for successful Net business in India.

3. Lack of confidence

The people in India still show hesitancy in buying through the Net. Lack of quality products, timely delivery of products as some of them tend to go out of stock, lack of solutions security are the potential reasons for not developing e-retailing.

4. Skeptic attitude

Though the internet is continuing to grow at rapid rate along with e-retailing transactions, the shoppers are still skeptic about safety & have not been quick to trust sending personal information such as credit card numbers or address over the Net.

5. Credit card frauds

In India, distribution channels are just one part of the problem related to e-payment. The bigger problem is that of security. All credit card related transactions are approved offline & given the high incidence of frauds.

6. Absence of Tax Laws

E-retailing over the net has effectively eliminated national borders. This has posed an important question as to tax on the transactions over the Internet.

7. Cyber laws

Another important problem is lack of comprehensive cyber laws so as to ensure safety & protections. There should be any legal regulations or barriers to faster & increased development of e-retailing.

8. Stock dilemma

Many people are not too happy with e-retailing trends. Though online shopping may be growing but so is frustration with it. A key source of dissatisfaction is the out of stock dilemma.

9. Lack of strength

The presence on the web alone will not always ensure successful e-commerce. Having a website or dot.com is no longer a novelty & merely setting up a

website will not help companies is increasing the volume of business. They must accept the true strength of this new electronic medium business & its potential for improving efficiency in extending service to the consumers.

10. Lack of skills & expertise

Lack of skilled & trained personnel impedes the growth of implementation of IT related e- retailing. Many Indian businesses are not prepared to approach electronic commerce. For many business houses for which commerce over Internet may not work, would take a lot of efforts for every little return.

11. Internet outage

Failures in networks & the Net itself can play havoc. Reliability is a major issue in net business that needs to be attended.

12. Absence of cyber brand image

Another problem is that advertising on the Net tends to focus on e-commerce rather than on brands found in the real world. This would prove to be a deterrent in ensuring consumer loyalty.

13. Inadequate government role

The government is not taking a serious view of e-commerce related information technology in terms of its promotion. Spreading awareness, imparting education, of the benefits of e-commerce, enacting new cyber laws, amendments to existing commercial laws, developing strong communication infrastructure are the key domestic roles for the government to play.

14. No emphasis on commercial exploration

E-retailing is not so popular & widespread in India rapidly because of several bottlenecks like content migration. Many owners use the Net for learning, education, games & entertainment.

15. No encouragement from business community

The business community is extremely an important sector to be targeted for the introduction of any technological innovation in business.

16. Preferring foreign sites

Online shoppers in India do not prefer Indian websites to a large extent & prefer US & other foreign websites. There are many reasons for this as they provide better selection, prices, stock, quality products, shipping, payment process security, customer service & wide variety of sites among other things.

17. Inactive Indian software houses

Software houses particularly in India are not devoted to insuring strong expertise in the supply chain & distribution & management solution. Technology is in abundance. The hardware & software makers are yet to work out strategies to ensure e-business privacy & security solutions to Net users in India.

18. Cyber competition

It is becoming clear that cyber structure is not enough to support cyber growth. Such a growth rate needs proper planning & world class global supply chain parameters cyber competition needs improvement in better contents, faster delivery of services & online support.

19. Difficulty of engineering

The web business structure will have to undergo a drastic change & be engineered. It is not just about having a website or about sticking a web address on conventional advertising or transferring a few people to a new division & designation.

20. Skepticism

Skepticism pertaining to credit card usage is the killing factor, as it is embedded in the information psyche & would not change overnight even if credit payments over the net are made accountable.

21. Internet for small business

Another problem is that for major project, a large consumer product company needs profiling of customers who undertake transaction through e-retailing.

22. Blocking & censorship

People worldwide are under virtual slavery. It has been reported in some media that many countries are blocking their citizens from accessing the net, either partially or wholly.

23. Infant stages

Electronic retailing is still in its infant stage. Indian commerce is establishing itself in the area of internet business. The concept of e-retailing is still in evolutionary stage, it is a job that still needs to be defined.

24. Barriers-survey findings

According to a survey conducted by promoters of e-commerce, shopping don't trust e-retailing, they cannot find what they are looking for, & there's no easy way to pay for things being ordered online. Other than that, it is a smooth sailing.

AUTOMATIC VENDING

A vending machine is a machine which dispenses items such as snacks, beverages, alcohol, cigarettes, lottery tickets, consumer products & even gold & gems to customers automatically, after the customer inserts currency or credit into the machine. Vending machines are not very common in India & are usually found only in major cities or along some national highways.

Information technology in retailing

The innovation in information technologies & their uses in the retail supply chain increase the efficiency of the all system itself. Radio frequency identification, electronic data interchange, point of sales & various data mining technologies enable retailers to radically change the way they do business within the retail supply chain & achieve increased supply chain efficiency in terms of labour cost reduction, inventory accuracy improvement, lead time reduction, & so on.

Integrated systems & networking

Business process integration aims to eliminate redundancies & inconsistencies among the multiple processes that an organization uses to conduct its day to day work. Business process integration also seeks to recognize & effectively manage interdependencies between processes. Business integration helps integrate business process, people, applications & information.

Technology integration helps integrate the underlying IT infrastructure that supports business processes, such as directory services & security policies, storage & operating environment. The integrated system enables process automation, disseminate timely & accurate information which results in improved managerial & employees decision making.

Globally, various retail organizations are trying to improve their supply chain efficiency through the implementation of technology in the following forms:

- **EDI**
- **Bar coding**
- **Electronic article surveillance**
- **Electronic shelf labels**
- **Customer data base management system**

EDI

Electronic Data interchange (EDI) is an electronic communication system that provides standards for exchanging data via any electronic means. By adhering to the same standard, two different companies, even in two different countries can electronically exchange documents.

EDI is the most commonly used B2B e-commerce technology. The EDI process involves the electronic interchange of business information-or-data between two organizations called 'Trading Partners'.

Steps involved in EDI

Steps the sender must take Document preparation

Information necessary to produce a business document is collected in an electronic file.

Outbound translation

The electronic file is converted by the sender's translation software into the standard format.

Outbound communication

The sender's computer connects to a VAN. Upon successful receipt, the VAN processes & routes the transaction to the electronic mailbox of the receiver.

Steps the Receiver Must Take

Inbound communication

The receiver's computer connects with the VAN & receives any files waiting in its electronic 'in' box.

Inbound translation

The receiver's translation software 'maps' or translates the electronic files from the ASC x12 standard message format into a format that the receiver's internal system can understand.

Document processing

The receiver's internal document processing system takes over & the newly received document is handled according to normal internal procedures.

Bar Coding

Bar coding is a series of parallel vertical lines that can be read by code scanners. It is used worldwide as part of product packages, as price tags, carbon labels, on invoices even in credit card bills. Bar coding has been in use extensively for the past 25 years worldwide & is now used by many organizations to increase their efficiency.

Advantages of Bar Coding

Barcode system provides an array of benefits including operational efficiency, better customer & improved visibility of key business information to management. Following are the advantages of bar coding:

Barcodes eliminate the possibility of human error. The occurrence of errors for manually entered data is significantly higher than that of bar codes.

Using a bar code system reduces employee training time. It takes only minutes to master the hand-held scanner for reading barcodes.

Bar codes are inexpensive to design & print. Generally they cost mere rupees, regardless of their purpose, or where they will be affixed.

Barcodes are extremely versatile. They can be used for any kind of necessary data collection. This could include pricing or inventory information.

Inventory control improves. Because barcodes make it possible to track inventory so precisely, inventory levels can be reduced.

Barcodes provides better data. Since one barcodes can be used for inventory & pricing information, it is possible to quickly obtain data on both.

Data obtained through barcodes is available rapidly. Barcodes promotes better decision making.

Electronic article surveillance (EAS)

EVS is a technological method for preventing shoplifting from retail stores, pilferage of books from libraries or removal of properties from office buildings. Special tags are fixed to merchandise or books. These tags are removed or deactivated by the clerks when the item is properly bought or checked out. At the exists of the store a detection system sounds an alarm or otherwise alerts the staff when it senses active tags.

An electronic shelf label (ESL)

An ESL system is used by retailers for displaying product pricing on shelves. Typically, electronic display modules are attached to the front edge of retail shelving. These modules use liquid-crystal display (LCD) or similar screen technologies to show the current product price to the customers. A communication network allows the price display to be automatically updated whenever a product price is changed.

Customer database management system

Customer database management system (CDM)is the way in which businesses keep track of their customer information & survey their customer base in order to obtain

feedback. CDM embraces a range of software or cloud computing applications designed to give large organizations rapid & efficient access to customer data. CDM encompasses the collection, analysis, organizing, reporting & sharing of customer information throughout an organization. Efficient CDM solutions provide companies with the ability to deal instantly with customer issues & obtain immediate feedback. As a result, customer retention & customer satisfaction can show dramatic improvement.

Legal aspects in retailing

Retailers have realized the advantages of reflecting an ethical sense in business operations. The organizational environment plays a major role in the kind of ethical sense the employees possess. Retailers also need to be socially responsible & environmentally concerned. They often undertake activities that are beneficial to the society. Retailers are also taking measures for waste reduction, trying to recycle the materials used & are switching over to environment friendly packaging materials. Legal compliances to be looked into by retail organizations can be discussed from the perspectives of people & operations.

People perspective

Key laws pertaining to people in India are:

1. Employees' State Insurance Act

The Employees' insurance act, 1943 (ESI Act) provides for health care & cash benefit payments in the case of sickness, maternity & employment injury. The Act applies to all non-seasonal factories run with power & employing 10 or more persons & to those which run without power & employing 20 or more persons.

The Employees' state insurance corporation (ESIC) is the premier social security organization in the country. It is the highest policy making & decision taking authority under the ESI Act & oversees the functioning of the ESI scheme under the act.

The basic provisions of the act are:

Every factory or establishment to which this act applies shall be registered within such time & in such manner as may be specified in the regulations made in this behalf.

It provided for an integrated need based social insurance scheme that would protect the interest of workers in contingencies such as sickness,maternity, temporary or permanent physical disablement, death due to employment injury resulting in loss of wages or earning capacity.

It also provided for six social security benefits:

- Medical benefits
- Sickness benefits
- Maternity benefits
- Disablement benefits
- Dependants' benefits
- Funeral expenses

Payment of bonus act 1965

The payment of bonus act, 1965 is the principal act for the payment of bonus to the employees which was formed with an objective for rewarding employees for their good work for the organization. It is a step forward to share the prosperity of the establishment reflected by the profits earned by the contributions made by capita, management & labour with the employees. Therefore, the payment of bonus act, 1965, gives to the employees a statutory right to a share in the profits of his employer.

Payment of Gratuity Act, 1972

The Act provides for the payment of gratuity to workers employed in every factory, shop & establishment or educational institution employing 10 or more persons on any day of the proceeding 12 months. A shop or establishment to which the Act has become applicable shall continue to be governed by the Act even if the number of persons employed falls below 10 at any subsequent stage. All the employees irrespective of status or salary are entitled to the payment of gratuity on completion of 5 years of service. The maximum amount of gratuity payable is Rs.3,50,000/ -

Employees Provident Fund

The Employees' Provident Fund Act, 1952, is an important piece of labour welfare legislation enacted by the parliament to provide social security benefits to the workers. At present, the Act & the Schemes framed there under provides for three types of benefits – Contributory Provident Fund, Pensionary benefits to the employees/family members & the insurance cover to the members of the Provident Fund.

The minimum wages act, 1948

It is an act of parliament concerning Indian labour law that sets the minimum wages that must be paid to skilled & unskilled labors. The Indian Constitution has defined a 'living wage' that is the level of income for a worker which will ensure a basic standard of living including good health, dignity, comfort, education & provide for any contingency.

Workmen compensation act, 1923

The workmen's Compensation Act, 1923 provides for payment of compensation to workmen & their dependants in case of injury & accident arising out of & in the course of employment & resulting in disablement or death.

The payment of wages act, 1936

It is a central legislation which has been enacted to regulate the payment of wages to workers employed in certain specified industries & to ensure a speedy & effective remedy to them against illegal deductions and/or unjustified delay caused in paying wages to them.

Operations perspective

The person responsible for running a retail store has to be aware of various laws & regulations to be followed. Some of the key laws applicable to the operational aspects are listed below:

THE SHOPS & ESTABLISHMENT ACT

This act was introduced to provide statutory obligations & rights to employees & employers in the unorganized sector of employment, i.e, shops & establishments. This was done to regulate the conditions of work & employment in shops, commercial establishments, residential hotels, restaurants, eating houses, theatres & other places of public entertainment.

THE PREVENTION OF FOOD & ADULTERATION LISENCE, 1954

This act was introduced to make provision for the prevention of adulteration of food. According to the act,& person shall manufacture, store, sell or distribute:

1. Any adulterated food
2. Any misbranded food
3. Food articles to be sold under license without fulfilling the conditions of the license.
4. Any food article the sale of which is prohibited by the food (health) authority in the interest of public health.
5. Any food article in contravention of other provision of the act or the rules or
- 6. Any adulterant**

1. If the article sold by the vendor is not of the nature, substance or quality demanded by the purchaser or which it purports to be.
2. If the article contains any substance affecting its quality or if it so processed as to injuriously affects its nature substance or quality
3. If any inferior or cheaper substance has been substituted wholly or partly for the article or any constituent of the article has been wholly or partly abstracted from it, so as to affecting its quality or of it is so processed as to injuriously affect its nature, substance or quality.
4. If the article had been prepared packed or kept under insanitary conditions where by it has become contaminated or injurious to health.
5. If the article consists wholly or in part of filthy ,putrid ,disgusting ,rotten, decomposed or diseased animal or vegetable substance or being insect-infested, or is otherwise unfit for human consumption.
6. If the article is obtained from a diseased animal.
7. If the article contains any poisonous or other ingredient which is injurious to health.
8. If the container of the article is composed of any poisonous or deleterious substance which renders its contents injurious to health.
9. If the article contains any prohibited coloring matter or preservatives or any permitted coloring matter or preservative in excess the prescribed limits.
10. If the quality or purity of the article falls below the prescribed standard or its constituents are present in proportions other standard, or its constituents are present in proportions other than those prescribed, whether or not rendering it injurious to health.

Industrial dispute act, 1947

An industrial dispute may be defined as a conflict or difference of opinion between management & workers on the terms of employment. It is a disagreement between an employer & employees' representative usually a trade union over pay & other working conditions & can protection result in disturbances in the relationship between management & workers.

Consumer protection act, 1986

The consumer protection act, 1986 was enacted to provide a simpler & quicker access to Redressal of consumer grievances. It makes provision for the establishment of consumer councils & other authorities for the settlement of consumers' disputes & for matters connected therewith.

Under the consumer protection act 1986, a consumer is guaranteed the following rights:

Rights to be protected against the marketing of goods & services which are hazardous to life & property.

Right to be informed about the quality, quantity, potency, purity, standard & price of goods & services so as to protect the consumer against unfair trade practices.

Right to be assured wherever possible, access to a variety of goods & services at competitive prices.

Right to be heard & to be assured that consumers' interests will receive due consideration at appropriate forums.

Right to seek Redressal against unfair trade practices & unscrupulous exploitation of consumers.

Right to consumer education.

The district forum/ state commission/ national commission may pass one or more of the following orders to grant relief to the aggrieved consumer:

To remove the defects pointed out by the appropriate laboratory from goods in question,

To replace the goods with new goods of similar description which shall be free from any defect,

To return to the complainant the price, or as the case may be the charges paid by the complainant.

To pay such amount as may be awarded by it as compensation to the consumer for any loss or injury suffered by the consumer due to negligence of the opposite party,

To remove the defects or deficiencies in the services in question,

To discontinue the unfair trade practice or the restrictive trade practice or not to repeat them,

Not to offer hazardous goods for sale,

To withdraw the hazardous goods from being offered for sale, To provide the adequate costs to parties.

Essential commodities act, 1955

The essential commodity act, 1955 was enacted to ensure the easy availability of essential commodities to consumers & to protect them from exploitation by unscrupulous traders. The act provides for the regulation & control of production, distribution & pricing of commodities which are declared as essential for maintaining or increasing supplies or for securing their equitable distribution are availability at fair prices.

The standards of weight & measurement act, 1976

It was established to prescribe specification of measuring instruments used in commercial transaction, industrial production & measurement involved in public health & health safety. It is the act of Parliament determining the regulation of weights & measures prescribe the mechanism for inspection & enforcement of the use of such weights & measures & may set out circumstances under which they may be amended.

Social Issues in Retailing:

The social issues in retailing are:

Keeping clean & green

It also involves the waste management & working on green management.

Shopping for tomorrow

This principle states that a retail organization should supply goods for more sustainable lives of the consumers.

Sourcing with care

This principle states that retail organization should source the best products while minimizing social & environmental impacts.

Building a great place to work

This principle states that every retail organization should create a congenial working environment for the employees in such a way that they should feel proud to work for the organization.

Being a good neighbor

This principle states that every retail organization should support the communities in which they operate. They should undertake social responsibility activities.

SOME OF THE ACTIVITIES THAT CAN HELP THE COMMUNITIES

ARE:

Encourage employee volunteering in the community & with financial contributions & help in kind.

Make some of the business's products or services available free or at cost to charities & community groups.

Look for opportunities to make surplus product & redundant equipment available to local schools, charities, & community groups.

Buy from local suppliers & strive to hire locally.

Offer quality work experience for students.

Collaborate with local teachers to make the business the subject of a school project.

Use the businesses' experience to help a local school, charity or community group become more efficient.

Use some of the marketing budget to associate the business or brand with a social cause.

Ethical Issues in Retailing

Ethics is a branch of philosophy that deals with values relating to human conduct, with respect to right or good & wrong or bad actions. Here ethics relates to retailers moral principles & values.

The unethical practices used by the retailers towards consumers are:

- i. They charge full price for the product sold without the customer's knowledge.
- ii. They do not tell the complete truth to a customer about the characteristics of a product.

a. Ethical practice towards consumers

The retailers should charge fair price for the products offered to them. The consumers have the rights to get correct & precise knowledge about the products sold to them in respect of warranty, guaranty, price, usage, ingredients etc.

b. Ethical practice towards investors/shareholders

The shareholders are the owners of the business. Shareholders must be given fair returns on their investment at regular intervals.

c. Ethical practice towards employees

Ethical practices must also be followed towards the employees. The retail industry employs large volume of retail staff. Therefore, proper policies & procedures must be framed for the employees regarding recruitment, selection, training, promotion, welfare, etc.

Negative issues relating to employment relations in the work place can lead to loss of reputation & customers. It leads to poor staff morale, low productivity & high labour turnover. To avoid these confrontations the retail manager should follow ethical practices towards employees.
