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RETAIL MARKETING
(UG Course Material for MK University - Madurai)

UNIT I

AN OVERVIEW OF RETAILING

The word 'Retail' is derived from a French word with the prefix re and the verb tailer meaning "to cut again". Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers. In other words, retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business.

Manufacturers engage in retailing when they make direct-to-consumer sales of their products through their own stores (as Bata and Carona shoe companies, D.C.M. Stores, Mafatlals and Bombay Dyeing) by door-to-door canvass, or mail order or even on telephone. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling.

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

Importance of Retailing

The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an important connecting link in a complex mechanism of marketing. Though producers may sell directly to

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consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist in the line. Therefore, frequently the manufacturers depend on the retailers to sell their products to the ultimate consumers. The retailer, who is able to provide appropriate amenities without an excessive advance in prices of goods is rewarded by larger or more loyal patronage.

Economic Justification for retailing

All middlemen basically serve as purchasing agents for their customers and as sales specialists for their suppliers. To carry out those roles, retailers perform many activities, including anticipating customer's wants, developing assortments of products, acquiring market information and financing.

It is relatively easy to become a retailer. No large investment in production equipment is required, merchandise can often be purchased on credit and store space can be leased with no 'down payment' or a simple website can be set up at relatively little cost. Considering these factors, perhaps it's not surprising that there are just over a 6 million retail outlets operating across the Indian cities from north to south and from east to west. This large number of outlets, many of which are trying to serve and satisfy the same market segments, results in fierce competition and better values for shoppers.

To enter retailing is easy; to fail is even easier! To survive in retailing, a firm must do a satisfactory job in its primary role - catering to consumers. Rama Subramaniam the former head - retail segment Spensors described a successful retailer as a "merchant who sells goods that won't come back to customers who will". Of course, a retail firm also must fulfill its other role - serving producers and wholesalers. This dual role is both the justification for retailing and the key to success in retailing.

GENERAL SERVICES

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The general services which a retailer provides are:

1. The retailer anticipates the wants of the consumers and then supplies them the right kind of goods at reasonable price. His job is to make the consumers buying as easy and convenient as possible i.e. he acts as a consumers' agent.
2. He performs the service of bulk-breaking i.e. dividing large quantities into small units, such as individual cans, bottles, boxes, wrappers, packages, appropriate for consumer use.
3. He offers a large assortment of merchandise, of suitable size, colour, design, style and seasonal items-ranging from domestic utensils, household requisites to speciality goods.
4. He creates time and place utility by storing the products in off season and by transporting these goods to the places where they can be readily available as and when needed by the consumer.
5. He also assumes risks by guaranteeing the goods he sells to the consumer.
6. He also offers free delivery of goods, credit on open accounts, free alteration, liberal exchange facilities, instructions in the use of goods, revolving credit plans, and long term instalment programmes.
7. He adds to the convenience and ease of consumer purchasing by offering convenient shopping locations, market informations and other services such as free parking privileges, lessons on product use and a multitude of other facilities may be offered and found sufficiently desired to result in increased patronage.
8. He helps the producers in distributing their products by using advertisement display and personal selling.

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

Facilitating Services:

In order to carry out functions involving transfer of ownership and physical supply effectively retailers perform a number of facilitating functions i.e. functions relating to standardisation and grading, financing, risk-taking and market information.

A retailer of fresh fruits and vegetables has to standardise and grade these to make these acceptable to customers. They establish standards, inspect goods they receive, and sort them in various classifications.

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

Another function performed by retailers is that of risk-taking. During the entire time a retailer holds title to particular goods, he must inevitably bear a wide variety of risks. Not only the goods may be destroyed through fire or flood, but also, there is often the danger of theft, deterioration or spoilage.

Furthermore, such merchants are also faced with the threat that consumers will not accept their product or will purchase them only at unprofitable prices. He also undertakes risk in handling of fashion goods and other items for which consumer demand varies greatly from time to time.

Since the retailer knows about the wishes of his customers the price, quality and the kind of merchandise available in the market as well as the existing and

anticipated style trends, he keeps in stock the goods usually required by customers.

LESSON 2 TYPES OF STORES

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

The institutions carrying on the retail business can be classified as under

Major Types of Retail Stores

Instore-Retailing	Non-Store Retailing	Franchising
1. Department Stores	1. Direct Selling	
2. Super Markets	2. Telemarketing	
3. Discount Houses	3. Online Retailing	
4. Chain Stores or	4. Automatic vending	
5. Multiple Shops	5. Direct Marketing.	

Department Stores

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

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

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

Classification of Department Stores

These stores may be classified either according to ownership or income groups to which they appeal.

- a) On the basis of ownership these are :
 - (i) The independent; (ii) The ownership group; and (iii) Chain department Stores. Independent stores are owned by a financial interest which does not own other similar stores Ownership group stores are those stores which were formerly dependent but now have been combined.
- b) On the basis of income groups, These stores cater to the middle and high income groups. They usually handle good quality merchandise and offer maximum service to the customers. Other stores cater to the needs of the lower income group people.
- c) Sometimes there is also to be found what are called leased department stores. Although it appears to most customers that all departments in a department store are owned and operated by the store, that is not always the case. The operations of certain departments are sometimes turned over to leases and such departments are called leased departments.

Characteristic Features of Department Stores The

chief features of these stores are:

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

Location of Department Stores

The success of a department store depends much on its location, availability of space, the area and community to be served and ability to attract customers are the important factors to be considered before establishing a store at a particular place. Special Consideration should be given to accommodation so as to allow every possible amusement facilities. Considerable space should also be allotted for show room displaying stores merchandise.

Merits of Department Stores

1. Large department stores buy in large quantities and receive special concession or discount in their purchases. Many of them purchase direct from manufactures and hence, middleman's charges are eliminated.
2. Department stores are in a position to pay cash on all or most of their purchases and this gives them an additional advantage of picking up quality goods at cheaper rates and at the same time stocking the latest

style and fads.

3. Customers can do all their purchases under one roof and it appeals to people of all walks of life.
4. The organization is too large to provide expert supervision of various departments for the adoption of a liberal credit and delivery service for large-scale advertising.
5. When customers enter the store to deal with one department they are frequently induced by the advertisement which the display of goods offers to make purchases in other departments as well.

Limitations of Department Stores

Department business organizations are not free from abuses. There are certain specific limitations from which such institutions suffer such as:

1. The cost of doing business is very high due to heavy overhead expenses.
2. Because of their location in a central shopping area they are of not much advantage to the public because goods required at short notice are always purchased from the nearest traders.
3. There is lack of personal touch and personal supervision which is to be found in single line.
4. When hired diligence is substituted for the diligence of ownership, loss and leaks are likely to occur.
5. Many customers abuse the liberal services extended and take advantage of the policy of the 'customers is always right'.
6. The type of salesmanship found in many stores is very poor because of

low payments and lack of supervision.

Future of Department Stores

Nothing definite can be predicted whether these department organizations will continue to carry on and will progress in face of overgrowing competition of chain stores, mail order business and other smaller independent dealers. Stores with overhead burdens which cannot be reduced may have to go, but the department stores as an institution are bound to go on with a future. The department store which is properly equipped in plant, stock and personnel to carry on a reasonable sales volume and then does a better job in giving values and services, then its competitors are entitled to, and will receive its business profit.

Department Stores are now opening branches in many new areas and making concerted efforts to meet new competition. They have been modernized, redecorated and better services are being developed; and they are being converted to self-service.

4. Super Markets:

These are large, self service stores that carry a broad and complete line of food and non-food products. They have central check out facilities.

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

Characteristic Features of Super Markets

Chief characteristic features of supermarkets include the following:

- i. They are usually located in or near primary or secondary shopping areas but always in a place where parking facilities are available.

- ii. They use mass displays of merchandise.
- iii. They normally operate as cash and carry store.
- iv. They make their appeal on the basis of low price, wide selection of merchandise, nationally advertised brands and convenient parking.
- iv. They operate largely on a self-service basis with a minimum number of customer services.

Supermarkets came into existence during the depression in U.S.A. At that time they sold only food products, and their principal attraction was the low price of their merchandise. As super markets increased in number day by day they also expanded into other lines of merchandise.

Advantages of supermarkets

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

Limitations of Supermarkets

- i. The large and extensive area required for a super market is not available cheaply in important places.
- ii. The products which require explanation for their proper use can not be dealt in

through the super markets.

- iii. Customer services are practically absent.
- iv. Another limitation of the super market is the exorbitantly high administrative expenses.

Discount Houses

These are large stores, freely open to the public and advertising widely. They are self-service and general merchandising stores. They carry a wide assortment of products of well known brands, appliances, housewares, home furnishings, sporting goods, clothing, toy and automotive services. They complete on low price basis and operate on a relatively low mark-up and a minimum number of customer service. They range from small open showroom to catalogue type order offices to full line limited service, and promotional stores. They buy their merchandise stocks both from wholesale distributors and directly from manufacturers.

Chain Stores or Multiple Shops

A chain store system consists of four or more stores which carry the same kind of merchandise are centrally owned and managed and usually are supplied from one or more central warehouses. A chain store is one of the retail units in chain store system.

Chains have been interpreted as a group of two or more reasonably similar stores in the same kind or field of business under one ownership and management, merchandised wholly or largely from central merchandising head quarters and supplied from the manufacturer or orders placed by the central buyers.

In Europe, this system is called as Multiple Shops and the American call it as "Chain Stores". Under the multiple or chain shop arrangement, the main idea is to

approach the customers and not to draw the customers as it is practiced in the case of department store. In order to draw more customers, attempts are made to open a large number of shops in the same city at different places.

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

Chief Features of Chain Stores

The chief features of chain stores are:

- i. One or more units may constitute a chain,
- ii. They are centrally owned with some degree of centralised control of operation.
- iii. They are horizontally 'integrated' that is, they operate multiple stores. With addition of each new store, the system extends the reach to another group of customers.
- iv. Many stores are also 'vertically integrated'. They maintain large distribution centres where they buy from producers, do their own warehousing and then distribute their own stores.

Non-Store Retailing

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

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

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Direct Selling

In the context of retailing, direct selling is defined as personal contact between a sales person and a consumer away from a retail store. This type of retailing has also been called in home selling. Annual volume of direct selling in India is growing fast from the beginning of the 21st century.

Like other forms of non-store retailing, direct selling is utilized in most countries. It is particularly widespread in Japan, which accounts for about 35% of the worldwide volume of direct selling. The U.S. represents almost 30% of the total and all other countries the rest.

Online Retailing:

When a firm uses its website to offer products for sale and then individuals or organisations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing). Many electronic transactions involve two businesses which focuses on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer.

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

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

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establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts. The rationale was that all available funds should be used to gain a foothold in this growing market.

Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future. Online sales represented about 1% of retail spending in 2005, but one research firm estimates that consumer purchases on the Internet will triple by the year 2010.

Which product categories are consumers most likely to buy on the Internet in the future? Consumers' shopping intentions in 2005 placed the following goods and services at the top of the list: books, music and videos, computer hardware and software, travel and apparel. Of course, given that change on the Internet occurs, these categories soon may be surpassed by others - perhaps groceries, toys, health and beauty aids, auto parts or pet supplies.

OPERATING EXPENSES AND PROFITS

Total operating expenses for retailers average 28% of retail sales. In comparison wholesaling expenses run about 11% of wholesale sales or 8% of retail sales. Thus roughly speaking, retailing costs are about 2 1/2 times of the costs of wholesaling when both are stated as a percentage of the sales of the specific type of middlemen.

Higher retailing costs are the result of dealing directly with ultimate consumers-answering their questions, showing them different products and so on. Compared to wholesale customers, ultimate consumers typically expect more convenient locations with nicer decor, both of which drive up retailers' costs. Also relative to wholesalers, retailers typically have lower total sales and lower rates of merchandise turnover.

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Retailers buy smaller quantities of merchandise, again compared to wholesalers, so their overhead costs are spread over a smaller base of operations. Furthermore, retail sales people often cannot be used efficiently because customers do not come into stores at a steady rate.

COMPETITIVE ADVANTAGE WITH SPECIAL REFERENCE TO PHYSICAL FACILITIES

Another competitive advantage of retailers will be how they create physical facilities which represent the distribution element of a retailer's marketing mix.

Some firms engage in non-store retailing by selling on hire or through catalogs or door to door, for example-but many more firms rely on retail stores. Firms that operate retail stores must consider four aspects of physical facilities.

LOCATION

It is frequently stated that there are three keys to success in retailing: Location, Location, Location! Although overstated, this axiom does suggest the importance that retailers attach to location. Thus a store's site should be the first decision made about facilities. Considerations such as surrounding population, traffic and cost determine where a store should be located.

SIZE

This factor means the total square footage of the physical store, not the magnitude of the firm operating the store. These are much different factors. A firm may be quite large with respect to total sales, but each of its outlets may be only several thousand square feet in size.

DESIGN

This factor refers to a store's appearance, both interior and exterior over its

competitor.

LAYOUT

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

As would be expected, the location, size, design and layout of retail stores are based on where consumers live and how they like to go about their shopping. Consequently, the bulk of retail sales occur in urban, rather than rural, areas. And suburban shopping areas have become more and more popular, where as many down town areas have declined.

ASSESSING COMPETITORS CURENT STRATEGIES

The first part in competitor analysis is to determine how competitors are attempting to achieve their objectives. This question is addressed by examining their past and current marketing strategies.

MARKETING STRATEGY

Many authors have attempted to explain the concept of strategy. At the retail level, a marketing strategy can be thought of three major components: target selection of customers, core strategy (i.e. positioning and differential advantage), and implementation (i.e. supporting marketing mix).

The first major component is the description of the market segment(s) to which competing brands are being marketed. Market segments can be described in various ways. Since few brands are truly mass marketed, the key is to determine which group each competitor has targeted.

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

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

TECHNOLOGY STRATEGY

An important task is to access the technological strategies of the major competitors. This can be done by using the following framework of six criteria.

1. Technology selection or specialisation.
2. Level of competence.
3. Sources of capability: Internal vs External
4. R&D investment level.
5. Competitive timing: Initiate vs Respond
6. Retail policies

These decisions generally lead to better understanding of retailers' competitors.

UNIT – II

RETAIL STORE LOCATION

IMPORTANCE OF LOCATION DECISION

Even though non store retailing is growing, most of the retailers are still selling from retail store space. Some of these retailers are very small single-store operators, and some are huge superstore discounters. Each location selected resulted from an effort to satisfy the needs of the particular market each was designed to serve. Whether it was the customer's need for convenience, their desire to do comparison shopping, the extent of the purchasing power in a market area, of the transportation facilities available, many factors together led to the development of different kinds of retail locations. There is an old saying that the value of real estate is determined by three things: location, location, and location. Nowhere is that more the case than with stores.

A wall street journal study looked at the largest store as measured by gross sales of the twenty largest brands. Not surprisingly, in nearly every case, a unique location was a major factor. The study provides some interesting examples. A Baskin–Robbins store is in a Waikiki mall where it is the only food store.

Crowds of tourists year round summer whether and a known brand lead to sales exceeding \$1 million a year. An on-base Domino Pizza store on a military installation with 11,000 Marines and their families sells as many as 4,000 pizza's week. In New York, across from Macy's, which generates enormous traffic, where Sixth Avenue and Broadway converge, a Florsheim men's shoe store serves some 30,000 customers a year.

Retail stores should be located where market opportunities are best. After a
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country, region city or trade area, and neighbourhood have been identified as satisfactory, a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A through study of customers and their shopping behaviour should be made before a location is chosen. The finest store in the world will not live up to 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 rupees, location offers a unique asset for all stores because once a site is selected, it cannot be occupied by another store. This advantage, however, points to the importance of location analysis and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years.

In short, location and site selection is one of the most important decisions made by a retail owner. We need to look for ways to optimise this process.

Retailing Strategy and Location

A retailer should first begin with a mission statement. This helps the retailer, its employees, and its customers understand the purpose of the business. The core concepts and culture that come from a mission statement flow from the choice of the

strategies selected in an attempt to achieve a competitive advantage. Location may be the primary strategy selected, or it may be merchandise, price, service, or communication. Whatever strategy is emphasized, location is a critical variable.

Owners or managers who wish to emphasize merchandise quality will require an entirely different location than managers of a low-margin discount house.

Just as the strategy and objectives of a retailer are integral to the location decision process, so is the importance of market research. The use of marketing research criteria in deciding on a location depends on what type of information or answer is needed from the research time and cost factors, and the importance of the decision in the overall strategy.

Characteristics Used in Location Analysis

The several characteristics used in location analysis. The key ones include 1) Demographics,

- 2) Economic,
- 3) Cultural,
- 4) Demand,
- 5) Competition, and
- 6) Infrastructure.

Some of the characteristics will be more helpful in the discussion of the

- a) -macro areas (**country and region**) as opposed to the
- b) -micro areas (**trade area and site evaluation**), and vice versa.

STORE DESIGN AND LAYOUT

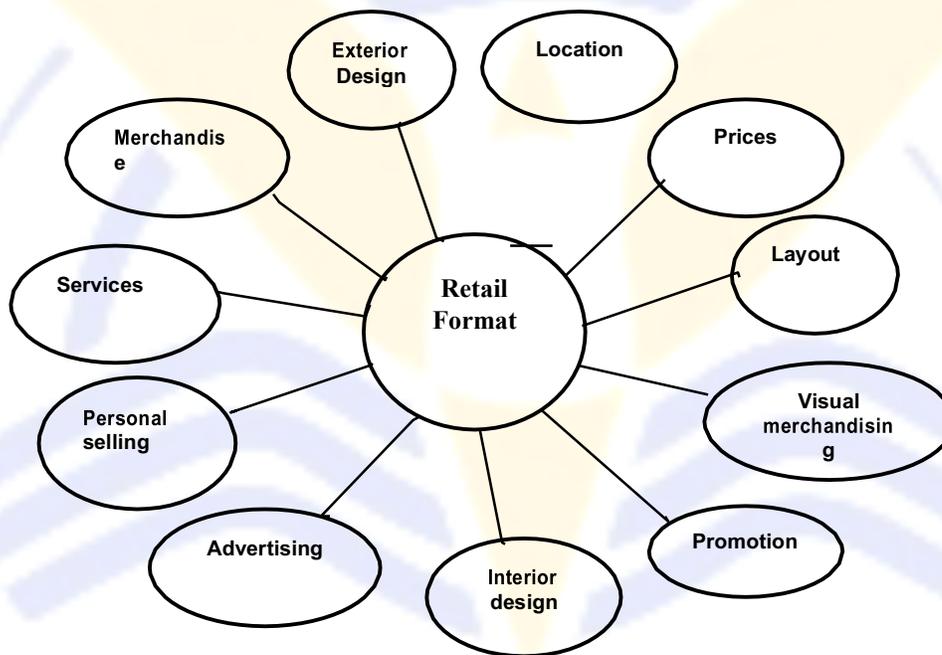
INTRODUCTION

Rapid changes in consumer buying behaviour and demographics require that today's retailer be extremely flexible and creative when thinking about the store

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design, layout, and presentation plans. Store design and layout are derived from the retail format, and yet they are part of that format. Retail format as the total mix of merchandise, services, advertising and promotion, pricing policies and practices, location, store design, layout, and visual merchandising used to implement the sustainable competitive advantage.



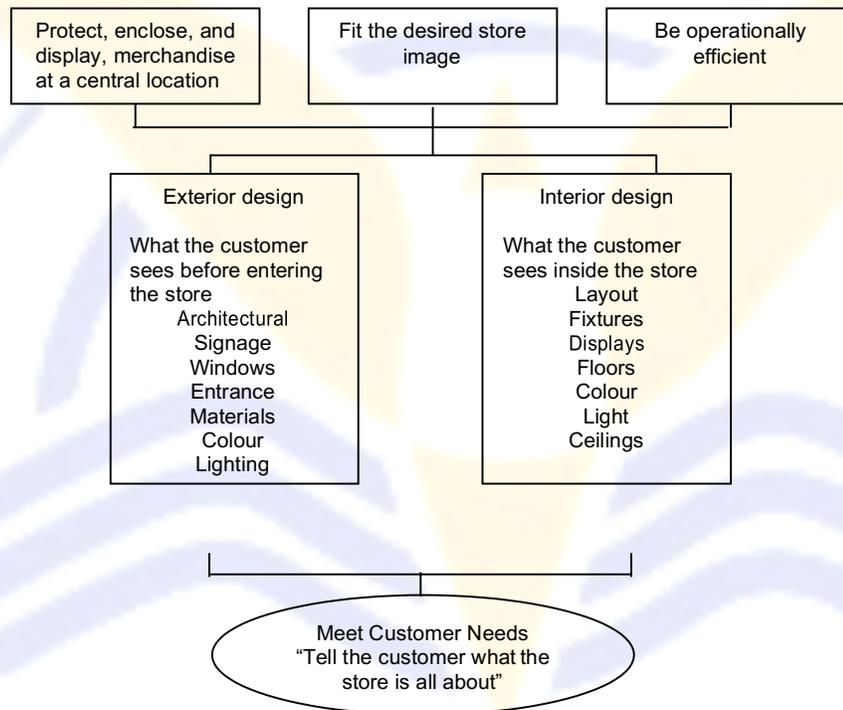
Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighbourhood have been identified as satisfactory, a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A thorough study of customers and their shopping behaviour should be made before a location is chosen. The finest store in the world will not live up to 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.

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COMPREHENSIVE STORE PLANNING

In this section we will discuss some overall planning concepts. We will then turn to more details regarding exterior design, interior design, layout management, and interior design elements.



Store design is the architectural character or decorative style of a store that conveys to the customer -what the store is all about. Stores vary so much in kind, size, and geographical location that it is difficult to generalize about design. The architecture of the store's exterior creates an initial impression. For example, if a retailer chooses to remodel an older Victorian home, the customer will get a different impression from that of a store in the mall. The remainder of the 1990s will likely see design continue to be less concerned with aesthetics and more concerned with establishing an identity and marketing a store image.⁵ Key issues like the 1990 Americans with Disabilities act and state/local ordinances will continue to affect

retail design as our population ages and becomes more diverse.⁶ Because of continued pressure on costs, newer designs reflect a closer attention to all details including store size. The drive to reduce inventory levels has forced a move to smaller stores, because a large store with less merchandise looks as though it is going out of business. The stores showing an increase in store size are those attempting to diversify and broaden merchandise lines. Higher rents, higher building costs, and the move localized stores because of the customer's desire for convenience hurt larger, stand alone and regional mall stores. Let's look at the planning process.

General Requirements in store design

The first step of store design is the development of a comprehensive plan for the overall requirements of the store. On the basis of market potential (the sales estimate and dollars received per square foot of selling area), plans can be made to meet the need for storage and selling space. The plan must specify the ways to achieve the best traffic circulation possible throughout the store and the types and sizes of fixtures necessary to display the merchandise in an appealing manner. A careful study of these factors helps make stores attractive, conducive to shopping, and as operationally efficient as possible.

Comprehensive planning requires developing a customer –bases holistic focus for the design and layout of the store and for the desired store image. Only after this customer focus is defined should a comprehensive plan be developed for both the exterior and interior of the store that matches the desired store image.

1. Customer Focus

The focus of a store design should always be the customer. If the store design and layout are appealing the customer will form an image that is also appealing. It is easy to get into the technical aspects of store design and forget that the retailer's reason for existence is the customer. The design should be focused on forming and maintaining an image, while at the same time making the layout as accessible as possible for shoppers. Research should determine the needs, habits, and

buying potential of the shoppers in the area and the need for store service and overall general customer comfort. Management must then determine the overall image that would best differentiate the store and attract the target market.

2. Store Image

A comprehensive plan would include a process for community obtaining customer feedback regarding improvements and for continuously updating the design to reflect changing customer needs wants. A store design serves two, often opposing, functions. First, and foremost, the design serves the functional purposes of protecting, enclosing, and displaying merchandise, while at the same time serving as a central location where customers can find the merchandise that they seek during convenient times. The second purpose relates to the symbolic needs of the customer. This includes the social aspects of shopping or owning a particular good from a particular store. The symbolic aspects of the store are anything that contributes to the overall store image. This may include environmental aspects, such as store atmosphere, or physical aspects, such as brand name products.

When customers enter a store, they want the displays and departments to tell them what the store is all about. The image the store is attempting to project should be immediately obvious to potential customers. If the store wants price as the predominant image, departments emphasizing this aspect should be placed near the entrance. Managers should give the best space to the departments that say to the customer.

3. Holistic Approach

a store's design should match the store's character. This means that consideration should be given to the type of store image the merchant hopes to project. It includes exterior design and interior arrangements for selling and non selling activities. In addition, the design should match with that of other stores around it; it should also enhance the salability of the merchandise within the store and be in good taste. The store design should have a single theme or image throughout.

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Attempts to create several images often greater competition. This is because the retailer is no longer competing against stores within a single image category, but instead with stores in several categories.

4. Technology and Planning

Store designs are becoming more complex as new formats evolve. For this and efficiency reasons, it is becoming more common to rely on technology to assist in developing a store layout design. Computer-aided design (CAD) helps plan stores that more space-efficient. Planning can be done quickly and changes are easy to make. New construction design for a 200,00-sq-ft design software and hardware.

In the store itself, new combinations of interactive and multimedia technologies will change the way retailers design for direct customer contact and information assistance. For example, a self-service concept store may be developed where kiosks replace sales associates, providing product information and updates on availability of merchandise.

Retailers will likewise be exploring creative linkages between participation in electronic home shopping channels and in-store selling. Through the use of interactive technologies, consumers will be able to view merchandise choices at home, make product selections, and conclude the purchase transaction. They will be able to choose whether to wait and receive their purchases through transportation carriers or to proceed directly to the retailer's store or depot where the merchandise will be ready for pickup.

EXTERIOR DESIGN

The exterior design must protect the interior from the elements. Just as important, it also serves to convey information to potential customers. The exterior is first part of the store that potential customers see. They will determine from the outside whether or not they wish to enter and shop. It is critical that the outside of the store gain the attention of customers and entice them to enter. If the outside does not

reflect an image appropriate to customers, they will not enter.

1. New Building versus Existing Facility

The decision to build a new facility or seek existing space is a critical element in exterior design planning. Each option has its advantages. Building allows the retailer to design all aspects of the exterior and interior. However, this option may be limited by location availability, time, or cost. Buying, renting, or leasing existing space has the advantage of being much quicker, may offer the advantage of a superior location and may be less expensive. However, a retailer is often limited in what can be done with regard to design issues. It is often the case where major renovations of existing space are as expensive as building from the ground up.

2. Restrictions

Recognizing the importance of the exterior, retailers have become very competitive in their designs. Unfortunately, this has often led to many areas looking like a war zone of competing colors, signs, shapes, and sounds. Both property owners and governments alike have taken steps to ensure that consumers are not assaulted by an overwhelming amount of stimuli.

(a) Lease requirements. Many property owners require retailers that lease their space to adhere to certain rules regarding store design. These rules serve two purposes. First, they assure the owner that property will be maintained in good condition; and second, they ensure that the surrounding property does not lose value. For example, most malls require that signs be certain sizes and often limit the use of intense light.

(b) Building codes. Most cities have building codes for businesses; often many are directed at retailers. These serve several purposes. First, they protect the public. Fire codes and safety regulations are examples. Some codes include sign ordinances that try to create some kind of visual harmony. Second, they ensure equal access to shopping for those with disabilities; and third, they

reflect the community's attitude with regard to appearance. For example, many towns recognize the need of retailers to promote their business through the use of signs. However, for aesthetic purposes, they have limited or abolished signs in particular areas.

(c) Theme areas. Theme areas are those in which buildings must meet structural requirements that fit a certain theme. Many downtown areas are implementing very strict building codes that allow businesses to stay only if they fit with the atmosphere the area is trying to create. For example, the building codes in downtown Santa Fe require the exterior of the buildings to be adobe, among many structural requirements. This adds to the enjoyment of shopping and increases tourism.

3. Colour and materials

The exterior colour texture of a store give a lasting first impression to the consumer. Often, this will be the first and sometimes the only thing a customer sees of a store. It is important that the exterior look and -Feel right to the shopper. The colours and material should express the image of the store.

Today's retailers are increasingly using textured building materials (brick, rough-sawn wood, and so on) at the store entrance to give a pleasant feeling to the façade. Steel buildings tend to create an impression of strength, whereas glass tends to create an altogether different impression, usually of a more modern store. Concrete or brick can contribute to the overall image of low cost or value. Brick may create a more upscale feeling.

4. Signs

Effective use of signs identifies the nature of the business, build a corporate identity, communicates an image, ties the company to its advertising through the use of a logo, and attracts to the store.

The most common signage is in plastic based materials despite the relatively high cost. Companies find that effective signs have individual letters that are coated

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in tough plastics and illuminated from within by neon tubes. This type of sign has advantages because it uses 15 to 20 percent less energy than other lighted signs and has an extremely long life. Stores desiring a very contemporary look may use exposed tubes; small strip shopping centers may use hand crafted wooden signs to maintain a low profile. Backlight signs offer a slightly more expensive possibility. Instead of the light splashing out of the front of the letter, it washes the wall with a silhouette. Mall tenants may be limited in the type and size of their sign management rules. Signs from materials such as wood or metal that have direct lighting can be used to create different images from luxury to country. However, plastic technology today allows the creation of nearby and look.

(a) Exterior walls and signs.

Many retailers use the exterior wall space to promote their store. Painting the name and logo of a business on the exterior is often less expensive than having a custom-made sign. Examples of this vary from a simple, elegant script indicating the name of the store to more exotic art that includes not only the name but also pictures. If artwork is used on the exterior of the building, it must conform to the principles of design, appeal to the customer base, and be integrated with the rest of the architecture.

5. Windows

The main purpose of windows is to attract attention and create an image to potential customers standing outside. Humor, theatrical flair, color, motion, or sound playing outside the windows work well to increase the effectiveness of the display. One of the biggest advantages of display windows is the ability to dramatically affect the exterior of the store. Most of the exterior requires major renovations to change. A retailer can take advantage of its window space to reflect changes in the store's offerings on a seasonal or monthly basis.

The window displays project the image of the store. While one store may be trying to say "Quality" in its windows by showing specific brands or fashions, other

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stores may use window displays to project a low price or value image. Regardless of whether it is a children's store, a sporting goods store, or a home furnishings store, the window display is often one of the first efforts to communicate with customers and invite them.

Window design is a function of the physical design of the store, and not something specifically requested by the retail manager or merchandising designer.

The open back, as opposed to the closed back, is a window through which the interior of the store itself becomes the display case. When open-back windows are used, the store does not have valuable selling space tied up in windows, management need not concern itself with planning window displays, and the problems of keeping windows clean and timely are usually avoided. However, the open-back window can cause unexpected display problems and exaggerate old ones. For example, the most significant concerns are reflection, sun glare, sun control, artificial lighting for both day and night, and the necessity for a general organisation of merchandise within a completely exposed store.

a) Awnings.

The use of awnings is a subset of the window and exterior design issue and often poses a particular problem for retailers. Most awnings are made of fabric and are of the old scissors or outrigger style. In recent years, fabric awnings that can be fastened into a recessed box at the end of the building have been developed. Other ways of awnings are structural part of the building.

Awnings come in many assorted sizes, colours, and styles. Merchants can take advantage of an awning to attract attention by using it as promotional space. Many companies now sell custom awnings that are designed to fit with the store's image.

6. The Store entrance

One of the first and most striking impressions customers get of a store is the

one they receive as they go through the front door. An entrance should be more than a device to keep people out of the store, to encourage them to come in, or to protect against the elements. An entrance should have character, and it should say to prospective customer, –lease come through the door where you will be treated with courtesy and friendliness and served to the best of our ability.¶ The entrance might be graceful and elegant or dull and functional; in any case, it should be compatible with the store design and provide an easy way to enter.

7. Store Name

Although not strictly related to external design, the choice of a store name does have an effect on the overall store image. The favourable or unfavourable image generated by the use of a name can enhance or negate the style set by store design.

At first glance, choosing a name for the business may seem to be a rather easy task. Unfortunately, this is not the case. The retailer who thought of the name Equ-ulus for a small gift shop certainly made a mistake. This name is not pronounceable, and it has little meaning for the majority of the customers to whom the store is appealing. Often it is desirable that the name sound not only attractive but prestigious. Certainly it must fit the type of store. For example, Budget weddings was chosen as the name of store that provided package services for brides. It failed because brides-to-be did not like the mental picture of a truck with that store name pulling up to the church and the reception hall. They liked the low price but were embarrassed by the name. See Box 7.2 for some guidelines in this area.

8. Theft Prevention

Another area of concern with exterior design is employee and customer theft. The design must consider the flow of people in and out of the store and how they may be observed or pass through technology-based theft prevention. Exterior doors and docks for receiving goods or trash disposal should also be designed and arranged to

minimize opportunities for unauthorized entrance and exit.

9. Multilevel Stores

Because of the need for increased parking space in relation to shopping area in suburban stores and shopping centers, the multiple-level store is especially appealing to retailers. Even super markets have experimented with this type of design. Properly carried out, a multilevel facility offers the merchant a means of both expanding the selling area separating areas from one another. It also gives an overall feeling is that of -pulling people through the store. Careful attention has to be paid to which merchandise is in high demand so that it can be placed on the upper levels. In the process of seeking it out customers will move through the store. Putting a restaurant on the top level, for example, helps this pulling process.

INTERIOR STORE DESIGN AND LAYOUT

The interior design of the store determines the way the merchandise is stored and offered for sale. The design should allow easy access to merchandise for customer. There are several layout patterns that enhance the customer's access to goods. The interior also projects an image to the shopper that should be consistent with that conveyed by the store's promotion, price, and merchandise and with the exterior design. The store interior must make the customer comfortable and encourage shopping.

The objective of layout management is to obtain the maximum benefits from the space available. There are issues that retail managers should consider when they make layout decision:

- 1) Value of space,
- 2) Space utilization and allocation,
- 3) customer traffic flow,
- 4) the types of goods,
- 5) complementary merchandise proximity, and

6) the desired store image.

Value of Space

The value of space, depending on the location within the store, is expressed in sales per square foot of floor space, and sales per cubic foot of cubic space.¹⁴ **Sales per square foot** is the typical measure for a store, department, or freestanding display. A display, for example, may generate sales of \$1,500 per square foot,¹⁵ where as a retailer like Sam's will generate sales of \$500 across entire store. **Sales per liner foot** is the common measure of shelf space for items like groceries, pet foods, and health and beauty aids. An emerging method of calculating space value on the shelf is **sales per square foot of exposure space**. This is calculated by a length times height measure of vertical space. Space has height value in addition to liner value. **Sales per cubic foot** is a relevant measure for freezer and refrigerator cases.

The first and perhaps the most significant element in planning a store layout is the fact that store space varies in value. Some parts of the store are visited by more people than other parts. There fore, it is easier to make sales along the routes travelled by customers. This means that the value of the space is higher along the more highly travelled routes.

Not surprisingly, the area closet to the entrance of the store is the most valuable. The space nearest the front ranks second value, and so on to the back of the store. By the same line of reasoning, store space is less valuable in parts of the store that are difficult to reach. One would also expect variations in sales profits on different floors of the same store. As height from the ground floor increases, the difficulty of attracting customers becomes greater. Consequently, space on the upper floors or in the basement has less value than space on the main floor.

2. Space Utilization and Allocation

The available space in the store is divided into selling and nonselling areas. The nonselling space includes administrative offices, storage, and customer amenities, such as rest rooms. These are all critical requirements for a store. The

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

There are several different methods of determining the amount of space a department or product class should receive. Among the most popular is space allocation by historical sales, gross margin contribution, industry averages, or strategic objectives.

Some departments command a higher gross margin and /higher sales volume per square foot than others. Because departments such as jewellery, candy, and toys can play their way in the high-value locations of the store, they can be placed in the more valuable areas. Some merchandise has better display potential than others and is capable of generating higher sales per square foot. A leather goods department, for example, lends itself to an interesting and dramatic display. Therefore, departments with such capabilities should receive choice locations.

a) Allocation by historical sales.

The amount space that a department or product is allocated is sometimes based on the proportional sales of the product. For example, if apparel traditionally accounts for half of the store sales, it would receive half of the space. A minor problem with this method is that it can lead to under or over allocation of space over time. For example, if space is allocated each year and a department has decreasing sales, the space of that department is decreased. This could lead to a greater decrease in sales, which in turn will lead to a continuing decrease in space. Another potential problem is the over allocation of space on high-priced items. A jewellery department may have very high sales compared to shoes; however, jewellery requires less space because of its physical size. Competition may mean that some volume selling seasonal goods have much lower margins. This can lead to a great deal of space given too less

profitable item.

b) Allocation by gross margin.

One way around the problem of allocating space by sales is to allocate it by gross margin. You remember that gross margin is sales less cost of goods sold. The same method as sales is used except that space allocation is based on the proportion of margin. For example, assume an electronics department has 10 percent of the sales but contributes only 8 percent of the total gross margin for the store. The department would receive only 8 percent of the space. On the basis of financial criteria, these programs recommend how much space each category of products should have and a specific product mix that will enable the retailer to maximize profits.

c) Allocation by industry averages.

Stores sometimes allocate space based on competitive pressures. They allocate the same proportion of space to a particular item as the competition or a similar store. Trade associations provide these kinds of data. This allows the retailer not to appear weak in a particular department. However, it also creates a _me tool atmosphere that may not differentiate the store from competitors.

d) Allocation by strategic objective.

Often a store will wish to build up sales in a particular product line. The manager will allocate the product more space that is justified by its previous sales. For instance, if shoes are not selling well but they are important to the image of the retailer, a manager may give more space to the shoe department so that more varieties in types and styles and a greater assortment of colours and sizes are available for sale. Store managers may also use this method for short term promotion to build up sales of new product line. Thus, this is some times referred to as the _build up|| method.

3. Storage of Stock

There are three accepted ways to handle storage in designing a retail store. The first way is to use **direct selling storage** – either exposed in show cases, counters, and drawers, or concealed behind cabinet doors. The second way to provide for

storage is through **stockrooms** directly behind the selling area and in the perimeters. The third way is through a **central storage** location. In general, central storage is best located next to receiving and marking areas and as close as possible to selling areas. The trend is to reduce inventory levels by more frequent delivery and better forecasting of sales. It has become easier to display a greater percentage of the store's stock, leaving as little in concealed areas as possible.

Some store formats, like Service Merchandise, do not sell the stock on display. The goods are stored on floors above the selling area and then sent to a receiving area for customer pickup. Furniture, carpet, and appliance stores of ten stock merchandise off-premises in less expensive warehouse space because delivery to the home is required. There is no reason for valuable selling space to be devoted to duplicate items on the selling floor.

Exposed merchandise has great appeal. Recently, there has been a movement toward **open storage**, displaying all the inventory on hand and eliminating dead space. The trend toward self-service selection has made it practical to display most of the stock. Furthermore, stocking and stock maintenance time is reduced. So storage area is becoming more and more important in the recent days.

4. Customer Traffic flow

Merchants use three basic types of layout patterns to control traffic flow in a store. The first type is known as the **grid pattern**. This arrangement has main, secondary, and tertiary aisles. The layout often maximizes the amount of selling space. It has an advantage in lower costs because of the possibility of standardizing construction and fixture requirements.

The second major type of layout design is the **free flow pattern**. The free flow arrangement provides for flexibility in a layout. It reduces to a minimum the structural elements that form the fixed shell of building, such as columns and fixed partitions. Counters are arranged to give maximum visual interest and customer attention to each merchandise department. Counters can be positioned so that their

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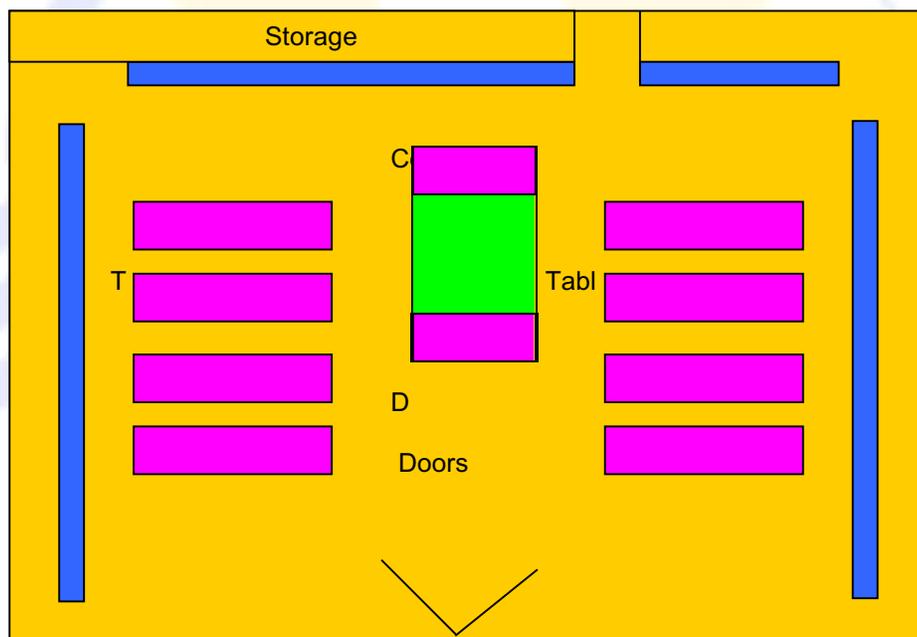
angles will literally capture customer in a department.

The third type, the **“shop” concept** or **boutique pattern**, is a natural extension of the free flow layout arrangements. Shops must be presented to the public so that they stand out from other departments and become small, intimate specialty stores within themselves. The free flow layout patterns make this easy to do.

Stores should be laid out so that customers can get to various parts conveniently and with little effort. Some aisles are made larger and are designed to accommodate a higher traffic count than others. In general, aisles should be wide if the merchandise adjoining the aisle is the type that customers like to look at for a long time before purchasing; if there tends to be a large concentration of customers, such as at entrances and escalators and before promotional merchandise displays; or if the retailer is attempting to control traffic to maximize customer exposure to various merchandise departments.

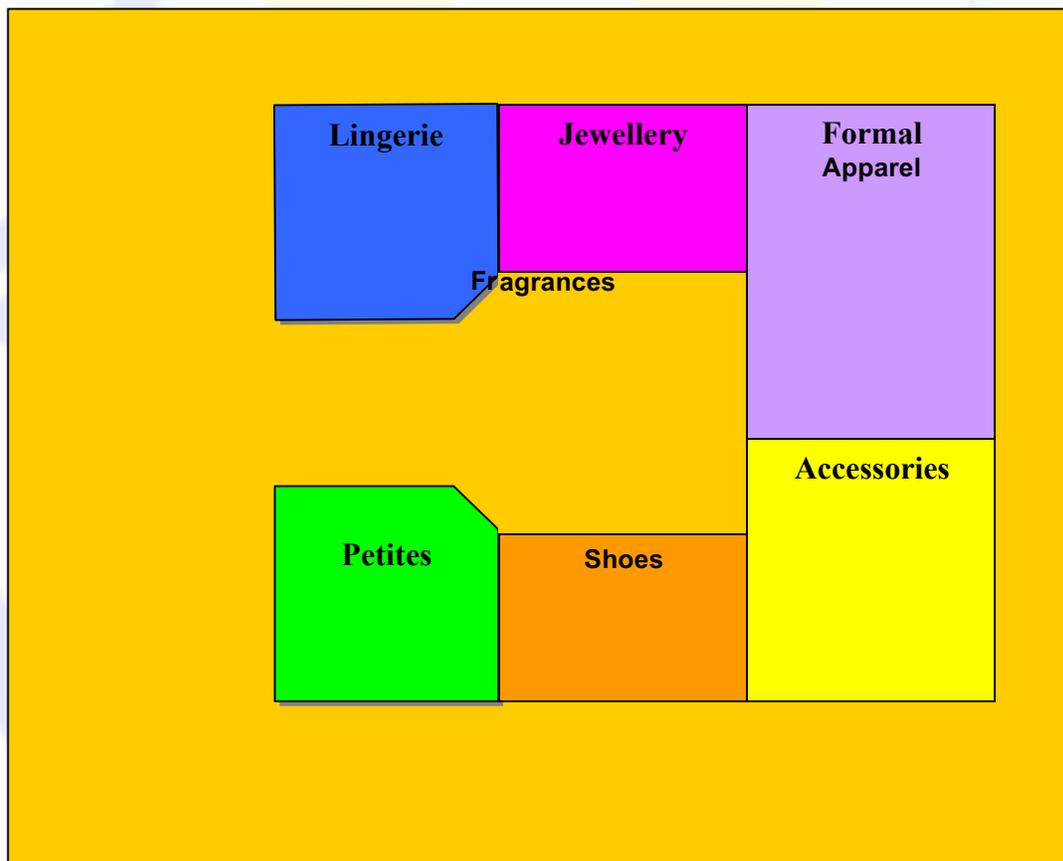
Grid pattern layout

The diagram below shows a grid pattern of layout



Boutique layout

The following diagram shows the boutique layout



5. Types of Goods

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Merchandise can be broken up into four major categories : impulse goods, convenience goods, shopping goods, and speciality goods. **Impulse goods** are goods customers buy as unplanned purchases. An example might be candy sold at the checkout counter, corkscrew in the wine section or videotape in the electronic section.

Convenience goods

They are those that consumer put a minimum amount of thought into, usually purchasing a known brand or whatever is available. Examples are newspapers and batteries.

Shopping goods

They are those for which a customer is willing to search and compare. There may or may not be a brand preference. If a customer is willing to search and compare. There may or may not be a brand preference. If customer is looking for a specific brand, such as a Sony Trinitron TV, the shopping may be for the best price or service. A customer will likely make a trip to different stores seeking just the right goods.

Speciality goods

They are those for which customers have a preconceived need and for which they make a specific effort to come to the store to purchase. Consumers usually will not accept a substitute for a speciality good and will sometimes go to extraordinary, effort to purchase such an item.

Impulse and convenience goods benefit by being located in high traffic areas where customers ,as they pass by the displays, are likely to pick up an item for purchase. In many stores the checkout counter will be crowded with impulse goods such as candies, batteries, and miscellaneous odds and ends. Shopping goods on the other hand, because of the preconceived need, may be situated in more remote areas of the store. In most of the grocery stores, the meat is located at the back. This encourages the customers to pass through other aisles and increases the possibility of a higher number of purchases. Speciality goods are unique in that they can create customer traffic. Often a store selling speciality goods can locate in a less expensive

site.

The type of the merchandise is the important consideration in a store layout. Think about how all four types of goods might influence a lay out in a discount drug store. For a particular customer a prescription could be a speciality good, and the customer would travel through a maze to get to the pharmacy. While going to the pharmacy a lot of convenience goods such as health and beauty aids may be picked for purchase. While in the store the customer could seek out the area where a shopping good like a home vaporizer was located and do some brand and price comparisons for the future purchase. In the check out area an un planned purchase of film could be made. The key to using the type of good concept for layout is to understand how the store's target market shops for the goods that are going to be offered

a) Complementary merchandise placement.

The layout must also take into consideration the nature of complementary merchandise that is interrelated: A sale of an item prompts the sale of another item. For example, the sale of a shirt could logically lead to the sale of a ties, which in turn could lead to the sale of a tiepin. Because of these additional sales possibilities, it is appropriate to plan the interior design so that related merchandise is in close proximity.

b) Seasonal departments.

Some departments need considerable space during particular times of the year. Seasonal departments such as toys, lawn and garden, and greeting cards are examples. Because these departments must expand and contract during certain times of the year, provision must be made to accommodate these seasonal changes. To accomplish this, departments with offsetting seasonal peaks in sales should be placed next to one another or in place of one another.

QUESTIONS

1. Describe what you believe to be significant trends in selecting retail locations.

2. What do you mean by cross- shopping?
3. What do you mean by out shopping?
4. Write brief notes of country and regional analysis.
5. Explain the importance of drive-in locations.
6. Explain the various types of shopping centers.
7. Explain the huff's model.
8. Explain the Reilly's law.
9. Write short notes on the following
 - a. Geodemographics
 - b. Retail market potential
 - c. Retail sales potential
10. Explain the various methods of store design.
11. Describe how you would design the exterior of a store.
12. Explain the various influences on interior design and layout.
13. Explain the various methods of allocation of space.
14. Explain the procedure for designing ways to handle storage in retail store.
15. Write short notes on the following
 - a. Grid pattern
 - b. shop concept
 - c. free flow pattern.

Unit – III

MERCHANDISE MANAGEMENT

Indian retailing is under going a process of evolution and is poised to undergo dramatic transformation. The retail sector employs over 8 percent of national work

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force. But it characterized by a high degree of fragmentation with over 5 million outlets. 96 per cent of whom are very small with an area of less than 50 m². The retail universe more than doubled between 1978 and 1996 the number of outlets per 1000 people at an all India level, increased from 3.7 in 1978 to 5.6 in 1996. For the urban sector alone, The shop density increased from 4 per 1000 people in 1978 to 7.6 per 1000 people in 1996. Because of their small size, the Indian retailer have very little bargaining power with manufacturer and perform only a few of flows in marketing channels unlike in case of retailer in developed country.

The corner grocer or ‘kirana’ store is a key element in retail in India due to the house wife’s unwillingness to go long distance for purchasing daily needs. An empirical study was carried out by sinha et al(2002) to identify factors that influenced consumer’s choice of a store. Although convenience and merchandise were the two most important reasons for choosing a store, the choice criteria varied across product categories. Convenience was indicated by consumer as the most important reason in the choice of groceries and fruit outlet, chemists and life style item while merchandise was indicated as most of important in durables, books and apparel.

The success of any retail operation is largely based on the retailer’s ability to

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provide the right goods to the consumer, at the right place, at the right time and at the right price. The entire process of creating or procuring a product or service needed by the consumer and ensuring that it reaches the place where a consumer can buy it, is integral to the existence of any retail organization.

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

The process of merchandise management includes the developing of strategies to ensure that the right product is bought at the right price and is available at the right place, at the right time, in the right amount, in order to satisfy the needs of the target customer. No one in retail can completely avoid any contact with merchandising activities. Merchandising is the day-to-day business of all retailers. As inventory is sold, new stock needs to be purchased, displayed and sold. Hence, merchandising is often said to be at the core of retail management.

Merchandising traces its growth to the rise of organized retail in the world. Initially, as the retailers operated only one or two stores, the function of buying the merchandise, pricing it, etc., were much simpler. In many cases, the retailer did it himself. However, as retailers started adding stores and categories, the workload on the buyers increased significantly. Often, buyers had little information or time and they ended up using approximations based on sales volumes, to allocate merchandise between stores. This sometimes, resulted in stores exchanging merchandise among them!

In order to overcome this limitation, the function of a planner came into being. The planner's job was to act as a link between the stores and the buyer. The de-linking of the function of planning and buying allowed better interaction with the stores. Planners were able to devote more time to collecting and studying store level data

the buyers on the other hand, were able to spend more time with the vendors.

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FACTORS AFFECTING THE MERCHANDISING FUNCTION

Merchandising does not function in isolation. It is affected by various factors, like the organization structure, the size of the retail organization and the merchandise to be carried.

As in every retailing endeavor, the most fundamental activities are buying merchandise and re-selling it to its customers. The owner or the manager, who may be assisted by the sales person, may perform the buying function in the case of a single store. As the single store grows in terms of business, it may add departments. Functional departmentalization may occur and the number of persons involved in the buying process may increase.

In the case of a chain store, the buying function may be centralized or decentralized geographically, depending on the retail organization. Thus, the nature of the organizations is an important factor affecting the function of merchandising.

The merchandise to be carried by a retailer largely determines responsibilities of the merchandiser. The buying for basic merchandise is fairly different from the buying of fashion merchandise. Basic are those products or items, which their retailer will always keep in stock. This primarily because these products are always in demand and the sales variance is minimal from year to year. Example of basics would be items like white shirts in clothing or items like pulses, oil, etc. Fashion products on the other hand, are products, which may sell very well in one season or year and may not have any demand in the next season.

A merchandiser, who is handling fashion products, will need to spend more time in the market, looking for products, which will suit the needs of the store's consumers.

He will also need to be aware of the fashion forecasts and the trends in the international markets.

The organization structure that the retail organization adopts also affects the merchandising function. Some organizations may demarcate the role of the buyer and the role of a merchandiser as separate functions, which in a smaller organization, one person may carry out all the duties.

FUNCTIONS OF A MERCHANDISE MANAGER

The merchandise manager is responsible for particular lines of merchandise. For example, in department store, there may be separate merchandise managers for menswear, women's wear, children's wear, etc. They would be in charge of a group of buyers and their basic duties could be divided into four areas; planning, directing, coordinating and controlling.

1. Planning

Through the merchandise managers may not directly be involved in the actual purchase of the merchandise, they formulate the policies for the areas for which they are responsible. Forecasting the sales for the forthcoming budget period is required and this involves the estimating of the consumer demand and the impact of the changes occurring in the retail environment. The sales forecasts are then translated into budgets, to help the buyers work within the financial guidelines.

2. Organizing

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

and vertically to be carried out by the merchandise manager.

3. Directing

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

4. Controlling

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

5. Co-ordinating

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

The structure of the merchandise department largely depends on the organization structure adopted by the retail organization. Retail snapshot 6/1 illustrates the function of buying and merchandising at one such retail organization in India – shopper's stop. This organization has defined the trading manager and the buyer as the persons who will look after the merchandising function.

Functions of Merchandisers

Inventory-level management

Achieving sales & profit margins

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Plan merchandise

Availability management, as per range plan

Merchandising strategy & planning

Processing of purchase orders

Analysis of data & sales budgeting

Profitability Target & expense control

Vendor/supplier relations for both, in house products as well as for brands.

While good merchandise management does not guarantee success, bad merchandise management will almost certainly result in failure.

CATEGORY MANAGEMENT

Retail is often termed as a business of responding to change. Today's retailer is faced with a rapidly changing and demanding consumer, intense competition, and pressures on costs. The combinations of the business condition that exist today and the advances in technology have created an opportunity for the development of new management approaches. One such approach is that of category management.

The need to reduce costs, control inventory levels and replenish stock efficiently, led to the concept of Efficient Consumer Response (ECR) taking shape in the grocery retail industry in Europe and America. By focussing on a superior understanding of consumer needs, category management provides renewed opportunities for meeting consumer needs, and at the same time, for achieving competitive advantage as well as lower costs through greater work process efficiencies.

Category Management can be defined as –the distributors' / suppliers' process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value

At the core of the category management concept is a focus on a better understanding of consumer needs as the basis for the retailers' and suppliers' strategies, goals and

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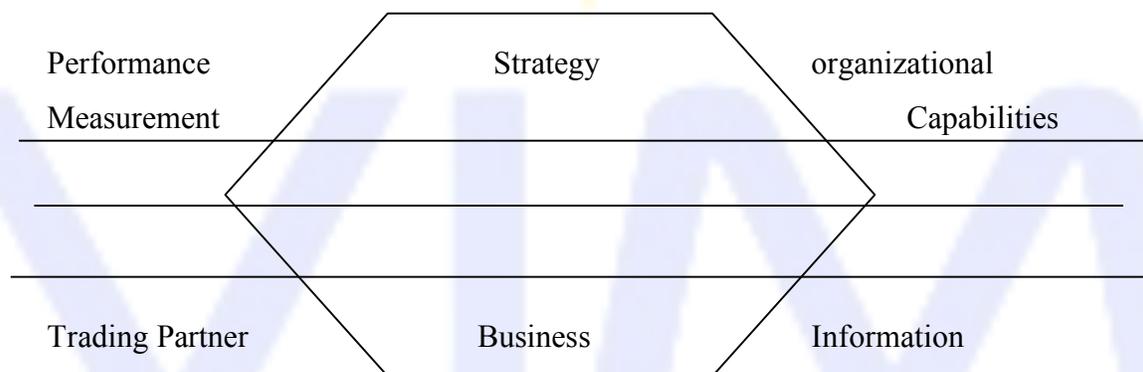
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work processes. Technology plays a key role, as information is a key enabler. The idea is to use this information to tailor the product offering

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

COMPONENTS OF CATEGORY MANAGEMENT

There are six components, which are key to the functioning of category management. Two of these are considered essential, without which category management cannot be started and they are therefore, called the core components. The other four are needed to enable to process, without these, category management can be started but it cannot be institutionalized on an on-going basis.



The two core components are: the Strategy and the Business processes. The enabling factors are performance measurement, information technology, organizational Capabilities and co-operative Trading partner relationships. This is illustrated in the following fig.

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Relationships

Process

Technology



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RETAIL PRICING AND MERCHANDISE PERFORMANCE

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

- The first factor to be taken into consideration is the demand for the product and the target market. Who is this product meant for and what is the value proposition for the consumer. In some cases, the price of the product is linked to the quality. This is generally in the case of products like electronics, where a high priced product is perceived to be of good quality. On the other hand, for products like designer clothing, a certain section of the population may be willing to pay a premium price. Hence, it is very essential that the buyer is clear about the target market for the producer and the value proposition that they would look for.
- The store's policies and the images to be created also influence the pricing of a product. Retailers who want to create a prestige image may opt for a higher pricing policy, while the retailer who wants to penetrate the market, may decide to offer a value for money proposition.
- Competition for the product and the competitor's price for similar product in the market also need to be taken into consideration. In case the product is unique and does not have any competition, it can command a premium price. On the other hand, in case there are a fair number of similar products in the market, the prices of such product need to be taken into consideration before fixing the price.
- The economic conditions prevalent at the times play a major role in the

pricing Policy. For example, during an economic slowdown, prices are generally lowered to generate more sales. The demand and supply situation in the market also affects Prices. If the demand is more than the supply, prices can be premium, however, when supply is more than the demand, prices had to be economical.

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

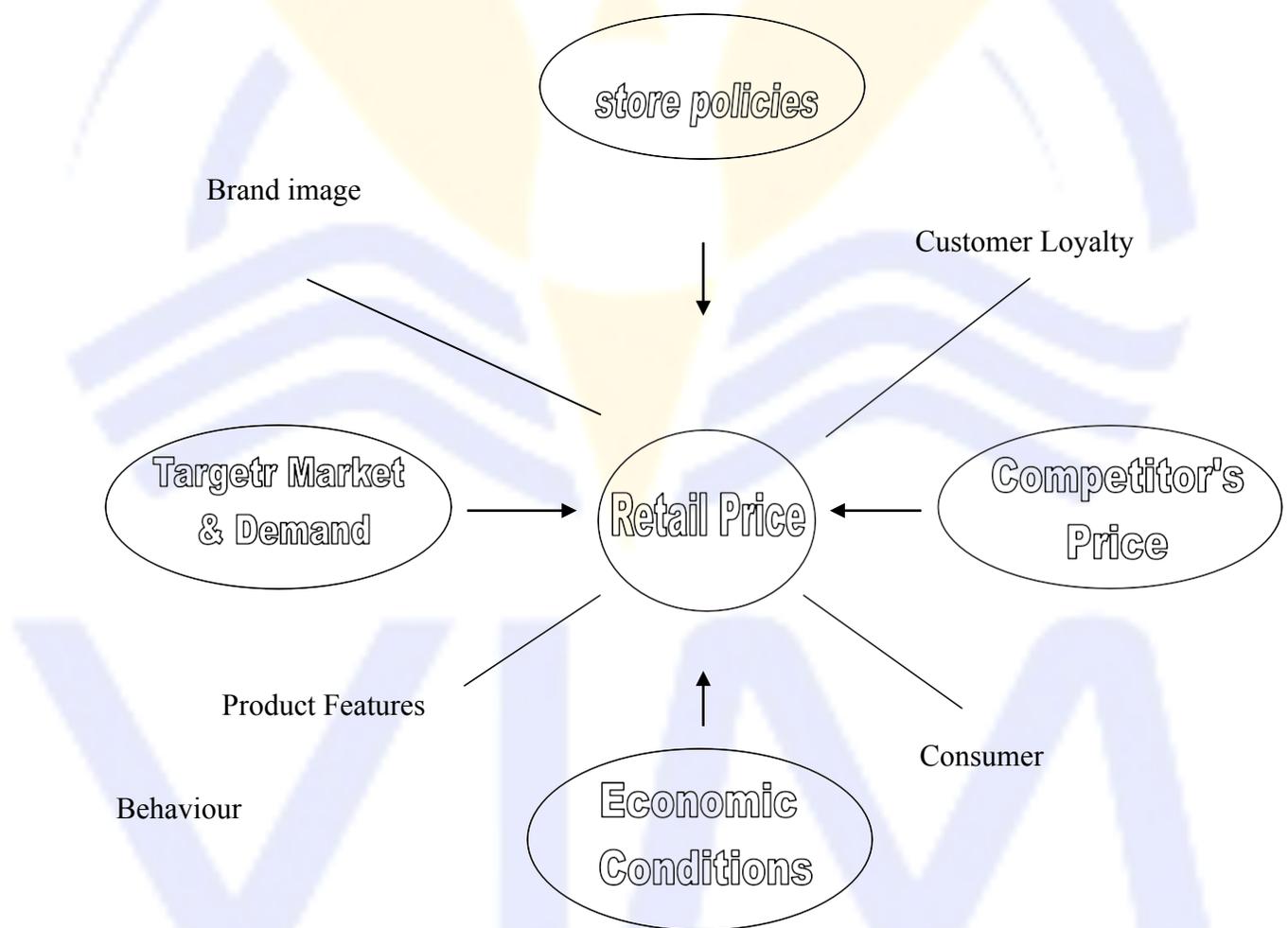


Fig. Factors Affecting Retail Price

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

ELEMENTS OF RETIL PRICE:

In order to arrive at the retail price, one needs to first consider the elements that go into the calculation of the price. The first element to be considered is the Cost of Goods, which is the cost of the merchandise and various other expenses that are involved in the movement of the goods from the manufacturer to the actual store. These expenses may be fixed or Variable. Fixed Expenses are those, which do not vary with the quantity of the sale or business done. Sop rents and head office costs fall into this category. The level of sales directly affects the variable expenses. Merchandise margins and the product mix, however, are variable, and their management can either enhance or destroy

APPROACHES TO A PRICING STRATEGY

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

The pricing strategies that can be followed include:

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

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

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

The buyer may adopt either the cost-oriented or a demand-oriented approach for setting prices. In the **Cost-oriented method**, a fixed percentage is added to the cost price. This is determined by what mark up the retailer works on. Alternately, the demand-oriented method bases prices on what price the customer expects to pay for the product. The price fixed here is based on the perceived value of the product. Ultimately, it is the planned gross margin, which needs to be achieved, and which is a major consideration while fixing the retail price.

ADJUSTMENTS TO RETAIL PRICE

Many a times, retail prices need to be adjusted to meet the conditions prevailing in the market. Adjustments to retail prices can be done by way of markdowns or by way of promotions. Markdowns are a permanent reduction in the price and this step may be taken as a result of slow selling of the product or as a part of a systematic strategy. Markdowns are usually done after a determined number of weeks in order to maintain a desired rate of sales.

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

The mark down percentage is calculated as follows:

Total mark down / total sales X 100

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Promotions on the other hand, are a temporary reduction in the price, used to generate additional sales during peak selling periods. Prices may be reduced by a percentage (25 percent off) or to a lower sale price (Rs. 99). High volume items, with a substantial initial markup, are usually selected for promotions.

Promotions may also include coupons, which may reduce the retail price by an amount or a percentage. With retail coupons, the retailer absorbs the reductions in the price.

A Comparison of Mark ups and Markdowns

A mark up is where profit is expressed as a percentage of the costs, as shown below:

$$\frac{(\text{price}-\text{Cost})}{\text{Cost}} \times 100$$

Thus, a selling price of Rs 30, with a cost of Rs 20, gives a mark up of 50 percent. A markdown is where profit is expressed as a percentage of the sale price and is shown below:

$$\frac{(\text{price}-\text{Cost})}{\text{Price}} \times 100$$

thus, a selling price of Rs 60, with a cost of Rs 24, gives a markdown of 60 percent.

$$\% \text{ Markdown on selling price} = \% \text{ Mark Up on cost} \times 100$$

$$= 100\% = \text{Mark Up on cost}$$

$$\% \text{ Mark Up on cost} = \% \text{ Markdown on selling price} \times 100$$

$$= 100\% - \% \text{ Markdown on selling price}$$

MERCHANDISE ALLOCATION

Once the merchandise is purchased and priced, it must be allocated to the stores. Most retailer classify their stores as A,B, or C, based on their sales potential. Each chain's allocation of merchandise to its stores is different, but it should be based on the total number of stores in the chain and the distribution of sales among the stores. Each store, regardless of its size, must carry a large proportion of the assortment offered;

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otherwise, the customers will perceive the smaller stores as having an inferior assortment.

The stores which are larger, and amount for a larger percentage of the sales, can get merchandise more frequently. The seasonality of demand, colors the amount of time that it takes for the merchandise to reach the locations, specific colors, and sizes, all these factors must be taken into account while allocation the merchandise.

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Unit IV

Communicating with the retail customer- Retail Promotion Mix – Advertising – Sales promotion – publicity – Retail Selling Process – Retail database.

4.1 Communicating with the Retail Customer

Promotion is basically a communication process. This has become necessary as the process of selling is more complex today because products are more technical, buyers are more sophisticated, and the competition is more intense. Without proper flow of information and effective communication from the producer to the consumer either along with the product or well in advance of the introduction of product into the market, no sale is possible today. The various promotion mix elements designed for this purpose are also referred to as -Communications Mix. The process of communication mix is as follows.

OPERATION OF COMMUNICATION PROCESS

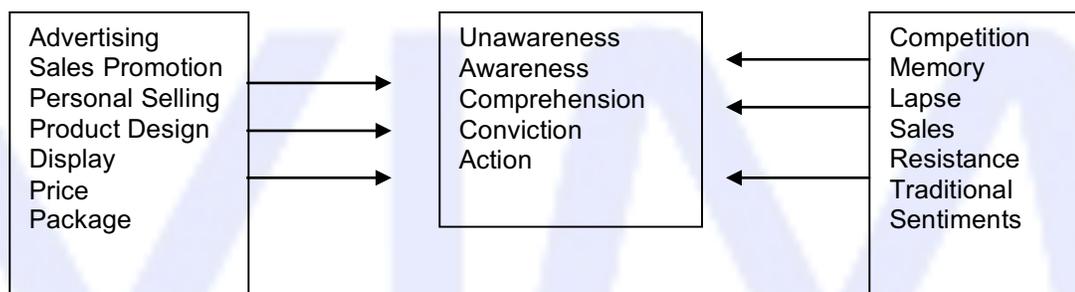


Figure 4.1.1 Marketing Communication Process

4.1.2 Need for Communication

When a company develops a new product, changes an old one, or simply wants to increase sales of an existing product, it must transmit its selling message to potential customers.

The process of communication is generally divided into Explicit and Implicit communications. The former one involves the use of language to establish common understanding among the people. Implicit communication is an ‘intensive interpretation of symbols’ and is basically a form of non-verbal communication. For example, when two foreigners meet, even though they are unable to communicate through a common language, they will exchange their views through meaningful symbols.

Promotion is an exercise in information, persuasion, and influence. Accordingly, promotion has come to mean the overall coordination of advertising, selling, publicity, and public relations. Promotion is a helping function designed to make all other marketing activities more effective and efficient. But sales promotion as such helps only the selling activity.

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

Advertising: Any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Direct Marketing: Use of **mail, telephone** and other non personal contact tools to communicate with or solicit a response from specific customers **and** prospects.

Sales Promotion: **Short-term incentives** to encourage trial or purchase of a product or service.

Public Relations und Publicity: A variety of programs designed to promote and / or protect a company's image or its individual products.

Personal Selling: Face-to-face interaction with one or more prospective purchasers for the purpose of making sales.

The whole marketing mix, **not just the** promotional mix, must be orchestrated for maximum communication impact.

4. The Communication Process:

Marketers need to understand how communication works. A communication model answers (1) who (2) says what (3) in what channel (4) to whom (5) with what effect. The following shows a communication model with nine elements. Two elements represent the major parties in a communication - sender and receiver. Two represent the major communication tools - message and media. Four represent major communication functions - encoding, decoding, response, and feedback. The last element is noise in the system.

Elements in the Communication Process

The model ~~underscores~~^{underscores} the key factors in effective communication. Senders must know what audiences they want to reach and what responses they want. They encode their messages in a way that takes into account how the target audience usually decodes messages. The sender must transmit the message through efficient media that reach the target audience. Senders must develop feedback channels so that they can know the receiver's response to the message.

For a message to be effective, the sender's encoding process must mesh with the receiver's decoding process. Messages are essentially signs that must be familiar to the receiver. The more the sender's field of experience overlaps with that of the receiver, the more effective the message is likely to be. "The source can encode, and the destination can decode, only in terms of the experience each has had". This puts a burden on communicators from one stratum (such as advertising people) who

wants to communicate effectively with another stratum (such as factory workers).The

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sender's task is to get his or her message through to the receiver. There is considerable noise in the environment - people are bombarded by several hundred commercial messages a day. The target audience may not receive the intended message for any reasons. The communicator must design the message to win attention in spite of surrounding distractions.

ADVERTISEMENT

The word advertisement originated from the Latin term 'advertisere' meaning to turn to. Advertising is paid form of publicity. It is non-personal. It is directed at a mass audience and not directly at the individual as in the case of personal selling. It is identifiable with its sponsor or originator which is not always the case with publicity or propaganda.

Evolution of Advertising

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

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

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

DEFINITION

American Marketing Association defines, -Advertising is any paid form of non-

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

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

* -Advertising is a paid form of non personal presentation of ideas, goods or services by an identified sponsor. -- **Richard Buskirk**

* -Advertising consists of all the activities involved in presenting to a group, a non-personal, oral or visual, openly-sponsored message regarding a product, services or idea, this message is called an advertisement, is disseminated through one or more media and is paid for by an identified sponsor. --

William J.Standon

The above definitions clearly reveal the nature of advertisement. This is another powerful element of the promotion mix. Essentially, advertising means spreading of information.

ELEMENTS OF ADVERTISING

On the basis of the definitions, the essential elements of advertising can be listed as follows:

1. Non-Personal communication: Advertising is a mass non-personal communication reaching a large group of buyers. It is neither delivered by actual persons not addressed to an individual or small audience of individuals. The

communication is speedy permitting the advertiser to speak hundreds or thousands of people within a shorter period.

2. **Matter of record:** It is a matter of record furnishing information for the benefit of the buyers. It guides them to make a satisfactory purchase. The contents of the advertisement are what the advertisers want.
3. **Paid from of publicity:** Advertising is a paid form of presentation. The sponsor must pay for it to other person whose media is employed. Hence, it is commercial transaction. Only this feature differentiates advertising from publicity.
4. **Persuasion of the buyers:** The advertisement must be capable persuading the buyers to purchase the goods advertised. It is an art of influencing the human action; the awakening of the desire to possess and possess one's product.
5. **Identifiable with the sponsor:** Advertisements are identifiable with their sponsor or originator. The producer or the dealer sponsors the advertisement campaign by employing a suitable media. He also bears the expenses connected with it.

OBJECTIVES OF ADVERTISING

1. **To Create Demand:** - Advertisement is used for introducing anew product in the market. New product needs introduction as potential customers have never used such product earlier. The advertisement prepares a ground for the new product. Most of the advertisement in cinema-halls or at radio and television serve this purpose.
2. **To Prepare Ground for New Product:** - The main objective of the advertisement is to create a favorable climate for maintaining or improving sales.

Customers are reminded about the product and the brand. Advertisement may induce

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new customers to buy the product by informing them about its qualities since it is possible that some of the customers may change their brands. Thus advertisement may bring new areas and customers to the company's product thereby increasing the company's share in the total market.

3. To Face the Competition:- In modern days advertising is undertaken not only to inform the people about a product, but also to maintain and increase the demand of the product by weaning people away from rival products in the market. Under competitive conditions, advertisement helps to build up brand image and brand loyalty. When customers have developed brand loyalty, it becomes difficult for the middlemen to change.

4. To Inform the Changes to the Customers: - Large scale advertising is often undertaken with the objective of creating or enhancing the goodwill of the advertising company. This increase the market receptiveness of the company's product. It helps the salesman to win customers easily.

5. To create or Enhance Goodwill: - The advertisement is made with the purpose of informing about the change to the consuming public. Whenever changes are made in the prices, channels of distribution or in the product by way of any improvement in quality, size, weight, brand, packing, etc., these must be informed to the public by the producer through advertisement. Such advertisements may also be used to maintain or improve sales.

6. To Neutralise Competitor's Advertising: - Advertising is also used to compete with or neutralise competitor's advertising. When competitors are adopting intensive advertising as their promotional strategy, it is reasonable to follow similar practices to neutralise their effects. It is essential for the manufacturer to create a different image of his product. Advertising helps to create product differentiation by the particular message it sends and the image it creates.

7. To Bar New Entrants: - Through long advertising a strongly built image

helps to keep new entrants away. The advertisement builds up a certain monopoly for the product. The entrants find it difficult to enter. Whenever a new entrant plans for an investment in that field, he considers the existing market conditions. If he knows that the existing market is dominated by a few producers due to long standing advertisement effects, he may hesitate to make his investment.

8. Link between Producer and Consumer: - To conclude, advertising aims at benefiting the producer, educating the consumer and supplementing the salesman. Above all it is a link between the products and the consumer.

ADVERTISING MEDIA

Once the advertiser has finalised the object of the campaign, the next task before him is the selection of a proper medium or a group of media. Proper selection of the media enables the advertiser to achieve the desired results. Hence, it is vital for the success of an advertising campaign.

Meaning of the Advertising Medium: The advertising medium refers to the means through which the advertiser can convey his message to audience. Some of the notable definitions are given below.

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

Definition of M.Tyres: According to Mr.M.Tyres, advertising media are the -Physical means whereby a manufacturer of goods or utilities or a provider of services tells the consumer about his product or service.

Thus, advertising media can be defined as the means or devices that carry the message of the advertiser.

TYPES OF MEDIA

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

- 1) Direct Media – Direct method of advertising refers to such methods used by the advertiser with which he could establish a direct contact with the prospective consumers. Direct mail is an example of this.
- 2) Indirect Media – Indirect method involves the use of a hired agency for spreading the information. Most of the media. E.g. press publicity, cinema, etc, are indirect in nature.

COMMONLY USED MEDIA

- 1) Press Publicity - This is the most popular method of publicity today. Newspapers and magazines have become a part of the cultural and political

life of the people. Press publicity takes two forms: Newspapers and magazines.

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

KINDS OF PRESS ADVERTISEMENTS:

- (i) Classified Advertisements – These are advertisements having common themes such as matrimonial, situations wanted, to let, for sale, etc., these are given under group headings. They are quite cheap.
- (ii) General Advertisements – These are usual advertisements which are published in different places creating some kind of identity.
- (iii) Teaser Advertisements – This is comparatively a new form of advertising. A series of advertisements without any sales message are published over a number of days in the same place in a newspaper. This creates an interest among readers to follow the series until the last advertisement appears. Teaser method is found highly effective.
- (iv) News type Advertisements – From the outward appearance this would simply look like a news item. The word advertisement is added at the end of the news to denote the purpose. Most of the speeches of the Chairmen of companies are given on this basis. For example, Hamdard’s Roohafza and Charminar Cigarettes.
- (a) Magazines – Magazines and journals also offer good facility because magazines are read leisurely when the reader is mentally prepared to receive advertisements.

KINDS OF MAGAZINES:

- (iii) General Magazines – In these the content is meant for general appeal.

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E.g. India Today, the Week etc.

- (iv) Specialized Magazines – These cater to a readership with clearly defined specific interest. For example. Capital Market, Business India for business people, Famine for women etc.,
- (v) Special Issues such as Annuals – Directories are special types of publications which may or may not have wide coverage of varied interests, e.g. telephone directories.

CHARACTERISTICS OF DIRECT MAIL:

- (i) Direct – The message is directly addressed to the prospective customers.
- (ii) Flexible - The message could be changed to suit different conditions.
- (iii) Economical - Advertising could be termed according to the wishes of the advertiser. It is economical.
- (iv) Personal Contact - The greatest advantage of this method is its capacity to create and maintain personal contact.

MAILING LIST:

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

PROMOTION

MEANING AND DEFINITION OF PROMOTION

There are two ways by which sales volume can be increased 1) having an efficient sales organisation 2) ability to undertake all the sales promotional activities. To an efficient sales organisation the sales manager has to appoint the most competent staff, train them as and when necessary and remunerate them with suitable incentives. These are done on the internal side. These are steps taken within the organisation itself to keep the sales force efficient and enthusiastic. The second way is to take all

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the external steps which will also help in the expansion of the sales volume. These external steps constitute promotion.

In view of the several promotional tools available, defining the term sales promotion in exact terms is difficult. However, authorities have made an attempt to formulate suitable definitions for this term and a few notes worthy definitions are given below:

Definition of J.Stanton: -Promotion is an exercise of information, persuasion and influence.

Definition of Philip Kotler: -Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication.

Definition of the American Marketing Association: The Definition Committee defines the terms Sales Promotion as -those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as displays, shows and expositions, demonstration and various non- recurrent selling efforts not in the ordinary routine.

Definition of Roger A.Strong: In the words of Roger A.Strong it includes -all forms of sponsored communication apart from activities associated with personal selling. It, thus includes trade shows and exhibits, coupon, sampling, premiums, trade allowances, sales and dealer incentives, sent of packs, consumer activities, rebates, point of purchase material and direct mail.

Thus, promotion is concerned with the creation application and dissemination of materials selling. In other words sales promotion is the plus ingredient in the marketing mix whereas advertising and personal selling are essential as well as the basic ingredients in the marketing mix.

THE PURPOSES OF PROMOTION

There are three specific purposes of promotion:

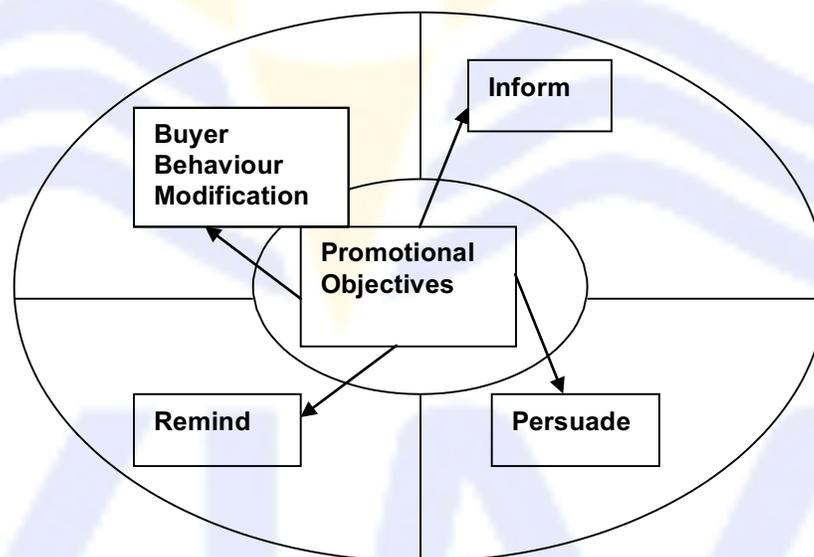
- To Communicate,
- To Convince, and

To compete

It is not enough merely to communicate. Ideas must be convincing so that action (purchase) would follow. In other words, distribution of information should be capable of producing marketing result.

A good product, an efficient channel, and appropriate price are not enough by themselves. Communication and convincing elements should supplement to offer contrasts to the efforts of competitors. It may even be stated that the competitive characteristic of promotion defines its vital role in marketing strategy.

Objectives of Promotion



Communication is a necessary element in everyday and in every walk of life. People communicate for many reasons. A dynamic society cannot be there without sufficient modes of communication. Promotion is the mode of communication adopted by business community for achieving certain specific objectives. From the point of view of a seller such communications may become necessary to modify consumer behaviour and thoughts and/or to reinforce existing behaviour of consumers.

Kinds of Promotion

1. **Informative promotion.** All promotions, essentially, are designed to inform the target market about the firm's offerings, *Informative promotion* is more prevalent during early stages of product life cycle. It is a necessary ingredient for creating primary demand. Such type of promotion is needed as the consumers make their purchases only if they are convinced about the product benefits. This could be done only with the help of communications and such communications are usually information-oriented and not sales oriented. Naturally, this will help the consumer in his intelligent buying.
2. **Persuasive Promotion.** The basic purpose of promotion is to persuade people to buy. But many do not accept this goal, as it would involve high- pressure selling but essence of all promotion is persuasion. It is designed to stimulate purchase and to create a positive image in order to influence long- term buyer behaviour. Except on certain occasion promotion is not intended to create immediate response. Moreover, when the product enters growth stage persuasion becomes the primary goal of any kind of promotion.
3. **Reminder Promotion.** This goal is adopted when the product reaches maturity stage. Insisting and emphasizing brand names and product features in competitive terms is the central aim of reminder promotion. It simply serves as a 'memory jogger'.
4. **Buyer Behaviour Modifications.** The effect of promotion is measured through the modification in consumer behaviour. The repeated

advertisements and constant personal selling methods are designed to achieve this goal.

Approaches to Promotion

The objectives of promotion require the target customer to pass through a series of stages that lead to purchase behaviour. One is the AID concept: to create Attention, Interest, Desire and finally leading to Action. These are the logical stages through which promotion methods act. Simultaneously, these stages create corresponding changes in ‘Hierarchy of effects’ viz.

Cognitive	-----	message received and interpreted.
Affective	-----	formulation of product image.
Conative	-----	motivation and purchase

These two effects, that are mutually dependent, could be combined as follows:

Comparison of AIDA and Hierarchy concepts

AIDA CONCEPT	ATTENTION	INTEREST DESIRE	ACTION
HIERARCHY OF EFFECTS	AWARENESS KNOWLEDGE	LIKING PREFERENCE	CONVICTION PURCHASE
STAGES	COGNITIVE	AFFECTIVE	CONATIVE

Source: Carl McDaniel jr., Marketing : An Integrated Approach.

This approach is called ‘Three – Stage Approach’. It suggests that promotional effectiveness can be measured in terms of people moving from one stage to the next.

SALES PROMOTION

A number of leading marketers and advertising agencies have taken up several sales promotion methods in their bid to capture a larger market share. Sales promotion activities are essentially aimed at demand creation. These are undertaken in addition to the basic methods of demand creation through advertising and personal selling. Sales promotional activities gained importance only after 1950. The order of evolution appears to be personal selling, advertising and sales promotion. Formulation of sales promotion policies is a management function and generally vests with the top management of a company.

Objectives of sales promotion

Sales promotion is a vital bridge or a connecting link removing the gap between personal selling and advertising. Besides, the sales promotion activities are undertaken with the following objectives.

1. To increase sales directly by publicity through the media which are complementary to press and poster advertising.
2. To disseminate information through salesmen, dealers etc., so as to ensure the product getting into satisfactory use by the ultimate consumers.
3. To attract the prospective buyers towards the product and to induce them to buy the product at the point of purchase.
4. To enable the salesmen to achieve more sales in their territory in preference to another.
5. To ensure the co-operation of the retailers to sell one brand in preference to another.
6. To face the competition from other effectively.
7. To check seasonal decline in the volume of sales.

Importance of sales promotion

In the modern times, the importance of sales promotion is increasing tremendously. The older concept saw sales promotion as an adhoc collection of sales tools to be used wherever necessary as direct short term sales stimulus. But in the recent years it is increasingly viewed as an important tool in its own right. Lakhs of rupees are being spent on sales promotional activities to attract the consumers in our country and also in other countries of the world. For instance, in U.S.A., promotion spending has increased twice as fast as that of advertising between 1969 and 1975. One estimate places 1976 expenditure on selected promotional activities that at 30 billion dollars as against 20.5 billion dollars for regular media advertising. These work out to about Rs.29,250 crores and Rs.19,987 crores respectively in the Indian Currency Exchange rates. Some large companies have also begun to appoint sales promotion managers to handle miscellaneous promotional tools. All these facts show that the importance of sales promotion activities is enlarging at a faster rate.

Limitations of sales promotion

The sales promotion devices, however, are not free from limitations. The important limitations are given below:

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

Figure 4.3.2 Tools or Devices of Sales Promotion

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

TYPES OF SALES PROMOTION PROGRAMMES

Philip Kotler classifies sales promotional activities into three kinds namely.

1. Consumer promotion.
2. Trade promotion and
3. Sales force promotion.

RETAIL SELLING PROCESS

Retail selling as the name suggests involves personal contacts. Advertising, on the other hand, involves no personal contact. Sales promotion is different from both these techniques. Now let us briefly explain about the Retail selling, its definition, qualities of retail seller and objectives .

Salesmanship and Retail Selling

The success of a marketing firm really depends on its effectiveness in creating a

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demand for its products and how effectively it satisfies its customers. To create a demand for the product, usually three techniques are employed by the marketing firms, namely, Personal Selling, Advertising and Sales Promotion. Of them personal selling has assumed an ever increasing importance than other techniques. The number of people employed in advertising is in thousands whereas in personal selling (retail selling) the number is in millions

Meaning and Definition of Retail Selling

Personal selling is a highly distinctive form of communication. Like other forms, i.e., advertising and sales promotion, it is basically communication; but unlike others it is two way rather than one way communication. Personal selling involves social behaviour of both the seller and the prospect influencing each other. The outcome of each sales situation depends upon the success of both the parties have in communicating with each other and in reaching a common understanding of the needs and goals. Now let us discuss some of the definitions of personal selling.

Definition of White Head: –Personal selling is an art of presenting an offering that the prospect appreciates the need for it and that a mutually satisfactory sale follows.

Definition of White Head: –Personal selling is an art of presenting an offering that the prospect appreciates the need for it and that a mutually satisfactory sale follows.

Definition of Philip Kotler: –Personal selling involves oral presentation in a conversation with one or more prospective purchases for the purpose of making sales.

Qualities of personal selling

According to Philip Kotler the distinctive qualities of personal selling are:

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1. **Personal confrontation:** Two or more persons come into contact into active relation and each party is able to observe at close quarters, the characteristics and need of the other and make immediate adjustments and thereby make the encounter successful.
2. **Cultivation:** Personal selling may lead to all kinds of relationships ranging from a matter of fact selling relationship to a deep personal friendship.
3. **Response:** Personal selling usually makes the prospect to feel a sort of peculiar obligation for having listened to the sales talk.

Self Evaluating Exercise

1. Define retail selling
2. What is meant by Retail selling and explain its qualities?
3. Discuss the objectives of personal selling

UNIT V

GLOBALISATION AND RETAILING

Although the present ideas and innovations are all well thought out and are giving in short term results, the Indian organized retailing is still in its evolutionary stage. At every point all retailers are vying for their presence and the resultant picture to the consumer is all too confusing. In the maturing process, retailers need to address this primary issue of differentiating themselves and forming niches to cater to their specific market rather than make a rat race. Retailers need to understand the value of retail as a brand rather than remaining as retailers selling brands. Indian retailing is coming of age and needs to have a clear brand proposition to offer the discerning Indian consumer. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

RETAIL EVOLUTION

Organized retail is definitely a growing market, and there is a lot at stake for retail companies to profit from technology resources that give customers a better shopping experience. A report by Mumbai based financial services firm Enam Securities pegs that retail should capture about 10 percent of the market. If it were this then what would be the size of the market? A report by CII (Confederation of Indian Industry) says that the retail industry in India would have a market size of \$ 300 billion (Rs.1,420,000 crore) by 2010, if it continues to grow as fast as the economy, which is about six to seven per cent. Much of the growth in the organized segment will be driven by the entry of established business houses into the retailing business like ITC with its wills Lifestyle chain and Tata group with its Westside chain of stores. Both are using technology to derive greater business efficiencies and benefit the customer.

CHANGING RETAIL FORMATS

As the retailing scenario evolves in India, we will see many changes in the types of retail stores, their sizes and competitive strategies. For example, the major retail chains in India are up market, and the concept of discount stores is just catching on. Also, the food stores seem to be the major growth area, followed by garment-based retailing. But there are still unexplored areas, for instance, the saree

supermarkets. These types of supermarkets are few in number, despite the saree being a favourite ladies' garment among a large part of India's population. Another feature is that the retail chains are still far fewer in numbers and coverage than the western chains.

TABLE 5.1

FACTORS UNDERLYING MODERNISATION IN RETAILING

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

Economic Development

The development of the Indian economy is a necessary condition for the development of the Indian retail sector. The example of Thailand shows the impetus

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to modernization of retail, was provided by the economic boom in Thailand. Development increases the disposable income in the hands of consumers and leads to an increase in the proportion of spending on discretionary non-food items. The economic development also enfranchises new households as potential customers for modern retail and leads to increased ownership of personal transportation among consumers, which in turn can increase their willingness to travel longer distances to shop in new format stores. The growth of the economy can also provide gainful employment to those who would otherwise enter retailing in areas like hawking,

retailing companies about the business prospects and investment attractiveness in a country. A high degree of inflation in the economy is however, not conducive to modernization of the retail sector. In Brazil, the real progress in retail was noticed only after the stabilization of the economy and control of inflation. Development also has an influence on the regions and cities where modern formats the initially set up. In the Greek, Thai and Brazilian cases, modern formats first appeared in the important cities. This has been noticed in India as well, as the modern formats first appeared in the metros like Delhi, Mumbai and Chennai and the mini metros like Bangalore and Hyderabad due to the comparatively higher level of disposable incomes available in these cities.

Improvements in Civic Situation

The civic situation includes factors like safety and security in the city and the various municipal regulations governing the opening, location and operation of stores, and the nature of public transport available. A safe and secure environment will encourage the setting up of 24 hour convenience stores and the operation of shopping plazas and encourage shopping expeditions for the whole family. The presence of adequate parking facilities or excellent public transportation will encourage consumers to be more mobile in their choice of store. City or state

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regulations on opening or closing hours, rent control laws, availability of adequate electrical power and regulations relating to licensing will affect both the time required to set up a new store as well as the cost of store operation and its viability. Many of the civic factors mentioned above would be dependent on the economic development and administrative policies in the area. The impact of the civic situation may influence the choice of the cities, states, zones in which the modernization investments will be made.

Increased Investment in Retailing

The prospects for significant modernization and development in retailing will depend on the nature of investment in this sector. The investment will be of two types-foreign and domestic. The quantum and nature of investment will depend on the factors outlined earlier namely economic development; civic situation; consumer needs; attitudes and behaviour; and government policies.

EMERGING NEW FACE OF RETAILING

The changing face of the retail industry, with geographically spread branches, customization and higher service levels has necessitated retailers to do business in the smart way. The three critical segments of Supply Chain Management, innovative retailing and demand creation have all to be met in a cost- effective and efficient manner and that requires IT tools.

Alternative selling channels

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

start-up costs meant that they could easily start this business.

Forecast total retail sales

Retail sales (in real terms) are predicted to rise more rapidly than consumer expenditure during 2003-2008. The forecast growth in real retail sales during 2003-2008 is 8.3 percent per year (compared with 7.1% for consumer expenditure).

Inevitably, modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores and hypermarkets. This is because of the growing preference of the affluent and upper middle classes for shopping at these types of retail stores, given the conveniences they offer such as shopping ambience, variety and a single point source for purchases. Hence, sales from these large format stores are predicted to expand at growth rates ranging from 24 percent to 49 percent per year during 2003-2008. However, such rapid growth is from a small base. Hence, they will continue to account for only a small share of total retail sales in 2008.

Today, the buzzword across the world in retailing is diversification. The retailing patterns worldwide are moving from being product-centric to ecosystem-based. Thus, the thought that is confronting the Indian retail industry is natural—whether it should follow the world trends or stick to the marketing basics of segmenting, targeting and positioning while developing the shopping malls.

E-RETAILING

The rise of the Internet has opened up a new avenue for retailers, to reach out to their customers and suppliers, in markets where they do not have a physical presence. It has presented opportunities for deepening customer relations, streamlining operations, cutting costs and discovering new sources of revenue. The near future may see retailers adopting RFID at a large scale and customers using PDAs and scanners, interactive kiosks and the combination of on-line and off-line

purchasing.

The rise of the Internet has led to some phenomenal changes in the way business is conducted in various industries. In retail, it has opened up a new avenue for retailers to reach out to their customers and suppliers, in markets where they do not have a physical presence. It has presented opportunities for deepening of customer relations, streamlining operations, cutting costs and discovering new sources of revenue.

In the more mature retail markets of the world, the websites of most of the retailers allow business to be conducted on line. The reasons for the emergence of e-tail as a viable source of business, stems from the fact that it can offer a larger basket to the consumer. For example, the largest brick and mortar book store chain – Barnes and Noble – Offers 20,000 books at any point of time. Amazon.com on the other hand, offers 4 million books. It is also one of the few business that allow the consumer to shop at a time and day convenient to him. He can shop 365 days a year, 24 hours a day and 7 days a week. Electronic retailing may also be looked upon as a case of reverse marketing, where the consumers seek out products.

E-COMMERCE AND RETAILING

The e-commerce market in India saw frenzied activity a few years ago, with just about everybody getting into the act. However, after the dot com bust, the Business to Commerce (B2C) market in India, is now showing signs of revival.

According to IDC India¹, the B2C market has made good progress, despite a small base. The growth, though significant, is comparatively small when compared to the B2C market in the United States of America, which touched \$50.3 billion last year².

The growth has to be seen in the light of the fact that in India, Internet usage is largely an urban phenomenon. Though companies like ITC, with their e-choupal model, have taken Internet usage the farmer in India, in urban India, the Internet access charges are on the higher side. However, with the sharp decrease in the rates of

personal computers, the market for home PCs should see a boom and this should aid the further development of e-commerce in India.

GLOBAL ENTRY STRATEGY

One of the major issues for a globalising company is that of the correct strategy in terms of standardizing its service product. Several companies and business leaders have argued about standardization or customization being the ‘right’ approach. One useful approach is to think global, and act local, as per the needs of the local markets. For example, the McDonald’s does not offer beef burgers, its most popular item in most other markets, in India. However, many other products on its menu remain the same, or similar. This is because the company has to take care of local sentiments. Similarly, an Indian restaurant offering food to Americans may have to follow more stringent laws about kitchen hygiene in western countries.

Some changes in products or practices are due to the environmental factors such as the law, the local environment or the customer sentiment. Other changes may be due to fine-tuning of the service to suit local customer tastes or preferences. For example, hotels in India offer a lot of personal services to guests, some of which could be eliminated if the hotel were to start operations in the US where guests may be comfortable doing things on their own, rather than being served by a person.

NEW CUSTOMISED FORMATS

Emergence of Self-service

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

Supermarkets

The 1930s saw the emergence of the supermarkets. The end of World War II recorded the retail scene-though the retail boom continued. It also saw the emergence

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of discount stores. These stores appeared to meet the needs of the blue-collar workers. The first hypermarket that was developed was Carrefour in France, in 1963.

The new formats gave the customer the choice of picking up a product, of comparing it with others and then taking a decision on buying. This required that the products were displayed and packaged attractively. It also became necessary to provide all the information with respect to the price, date of manufacture, and expiry weight etc. on the product itself, to aid decision-making. The mass merchandisers worked on three principles, which have now become the fundamental principles of modern selling- 1) They fixed product prices before sale, and the customers bought at the set prices. 2) The prices were determined on the basis of stock turns and amount of profit would be generated from the product. 3) They departmentalised the products. Accounting systems were devised to determine the contribution of various departments and this enabled them to drop unprofitable goods.⁵