5th Edition

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1.Retail management- An overview

Management

Management refers to the process of bringing people together on a common platform and make them work as a single unit to achieve the goals and objectives of an organization. Management is required in all aspects of life and forms an integral part of all businesses.

What is Retailing?

- **Retailing** – a set of business activities that adds value to the products and services sold to consumers for their personal or family use.

- A **retailer** is a business that sells products and/or services to consumers for personal or family use.

Retail Management

- **The various processes which help the customers to procure the desired merchandise from the retail stores for their end use refer to retail management**.
- Retail management includes all the steps required to bring the customers into the store and fulfill their buying needs.
- Retail management makes shopping a pleasurable experience and ensures the customers leave the store with a smile. In simpler words, retail management helps customers shop without any difficulty.

Examples of Retailers

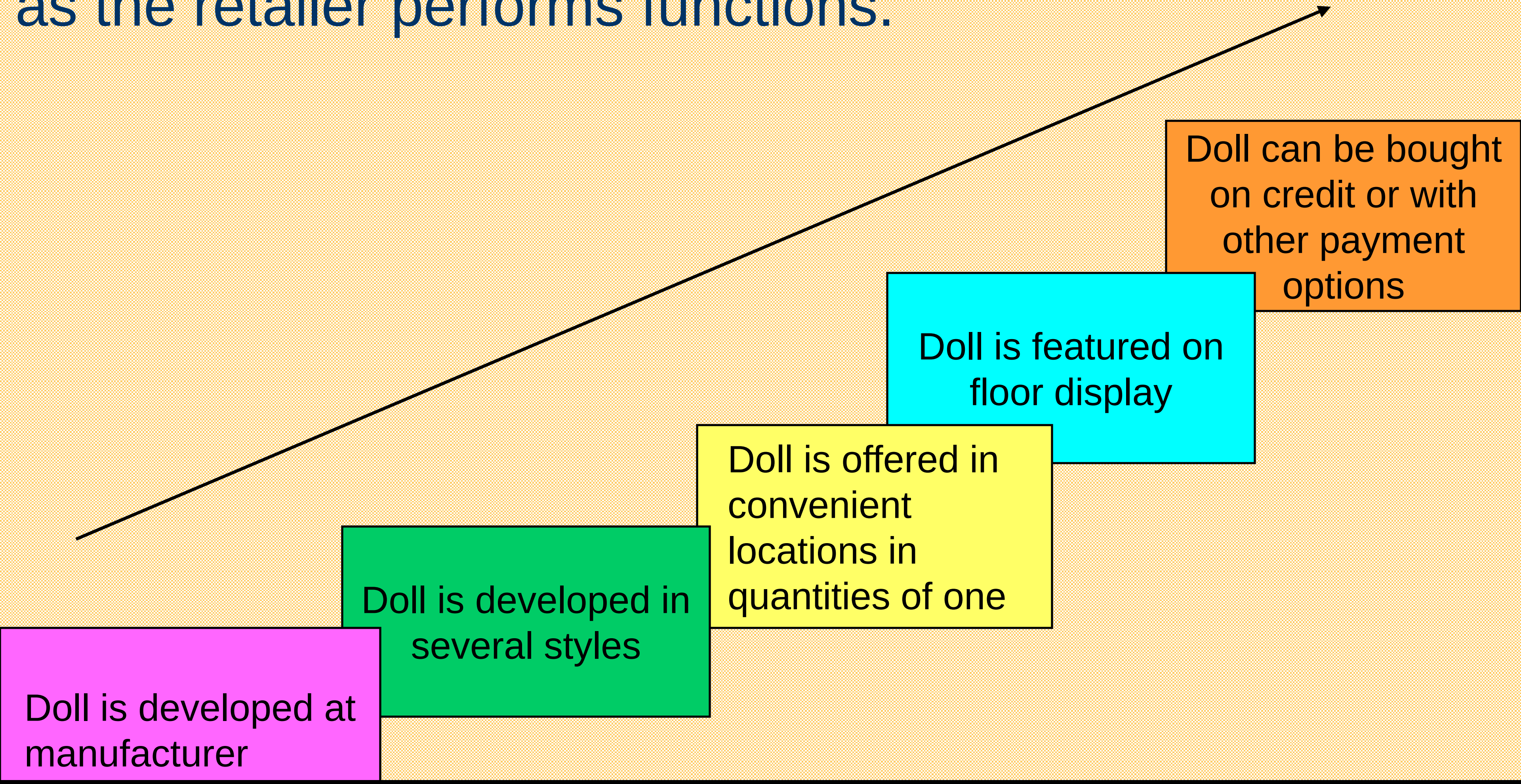
Nature of Retail Industry is Changing

How Retailers Add Value

- Breaking Bulk
- Holding Inventory
- Providing Assortment
- Offering Services

How Retailers Add Value

The value of the product and service increases as the retailer performs functions.

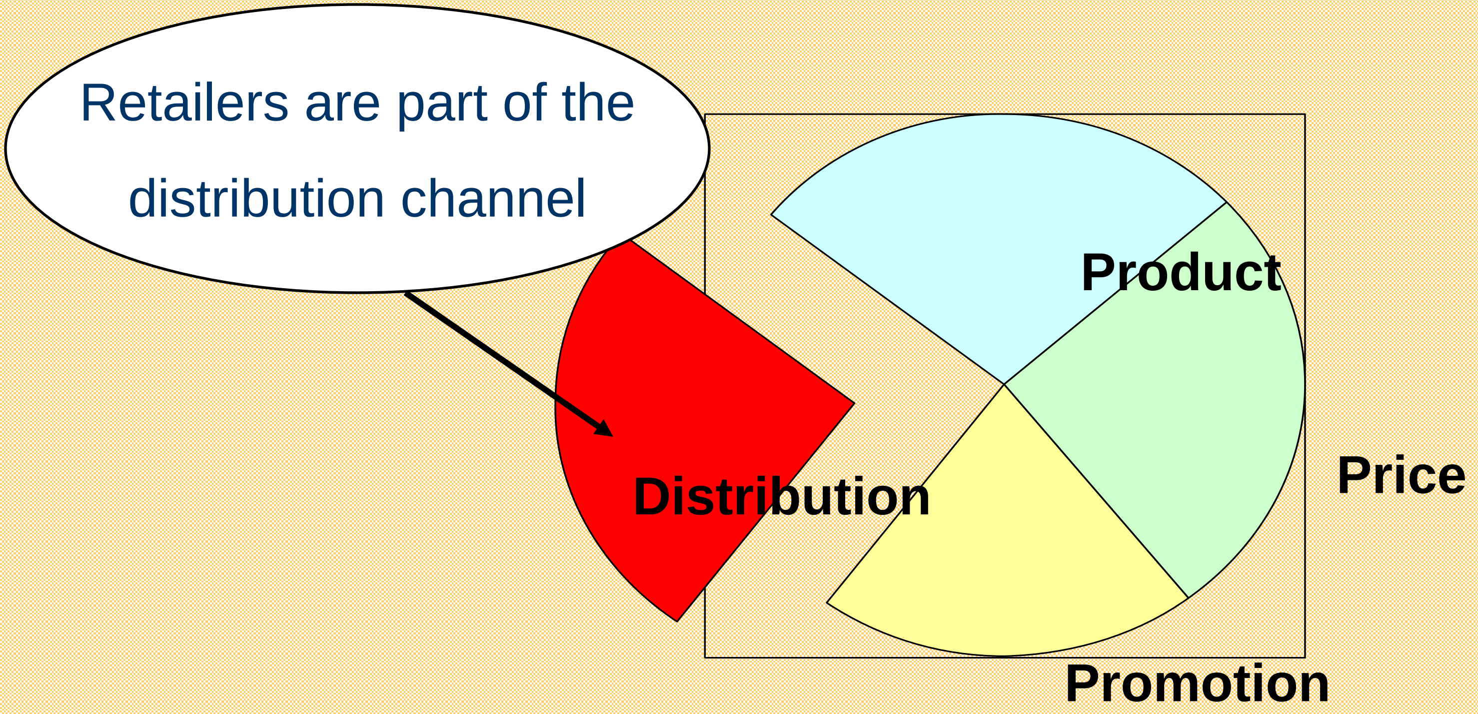


Functions of a retailer

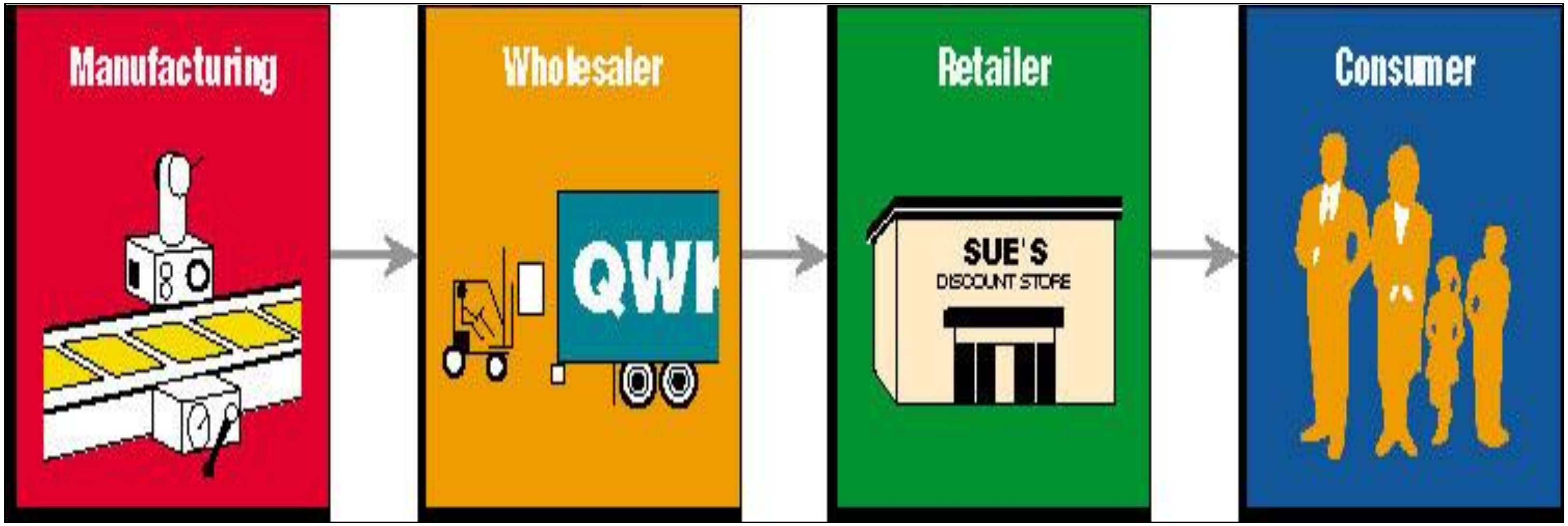
- Creates value (Assorting, breaking bulk, holding inventory, providing services)
- Customer convenience
  - Access to a broad variety
  - Create place, time, and possession utilities
- Important link in the supply chain
- Supply of information
- Risk bearing (Spoilage, natural risks, change in customer's taste)
- Financing
- Introduction of new products
- Advertising
- Economic development

Manufacturer's Perspective

The Four P's of Marketing



Distribution Channel



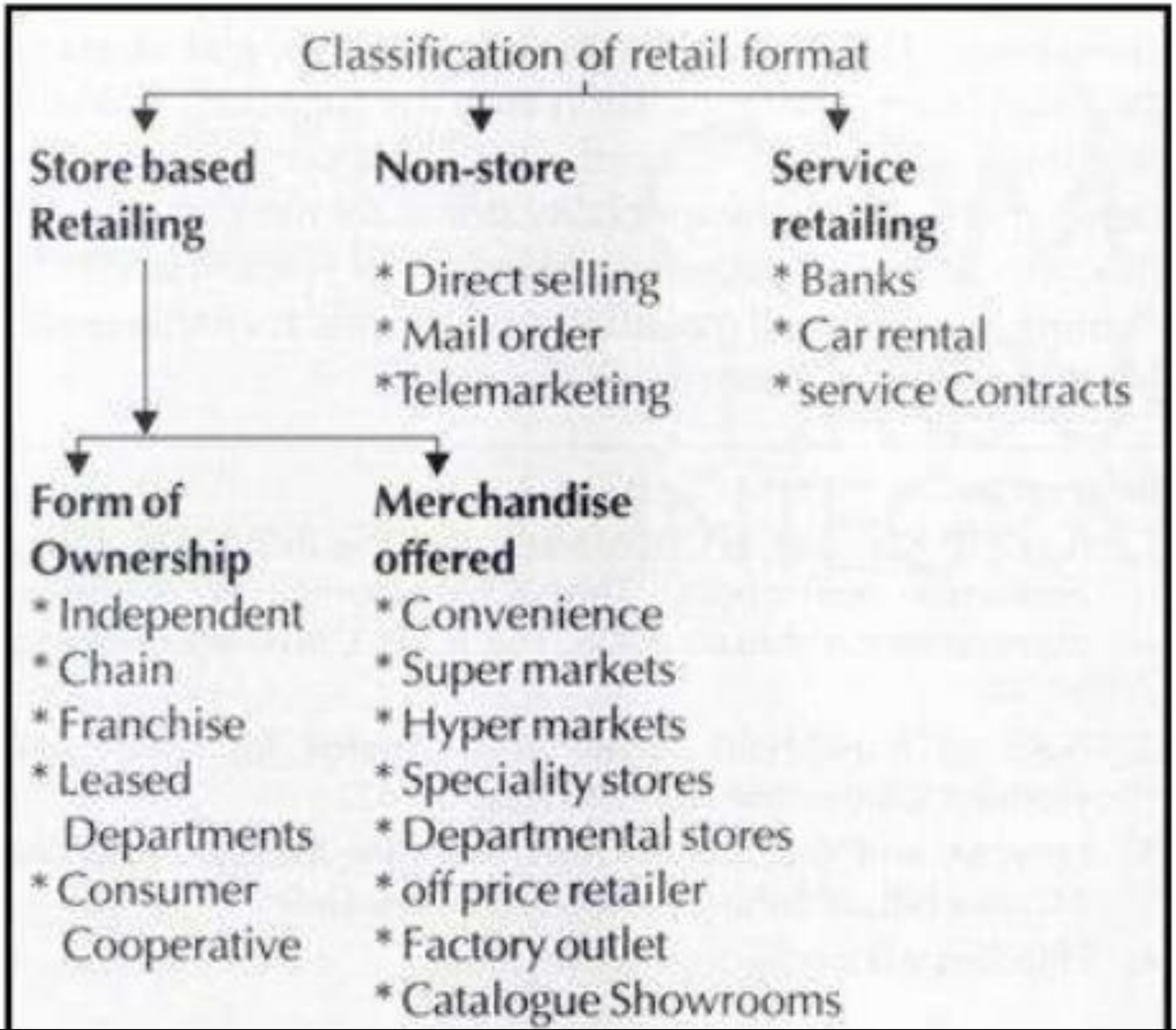
Factors influencing retail trade

- Increase in per capita income
- Demographical changes (young people, higher savings, high standard of living, attracts big retailers to India)
  - Increase in number of working women
  - Growth of middle class consumers
- Change in consumption pattern (number of innovators or early adopters have increased)
- Availability of low cost credit to consumers
- Entry to various sources of financing (FDI, FII)
- Technological changes
- Media explosion
- Entry of corporate sector

Scope of retail management

- Buying and merchandising
- Marketing
- Store operation
- Human resources
- Sales
- Finance
- Technology and E-commerce
- Visual merchandising
- Supply chain management and logistics

Retail Formats



Store Based Retailing

Form of ownership

Independent retailer

- Owns and operates only one retail outlet. Such stores can be seen under proprietorship.
- The individual retailer can easily enter into a retail market. The owner is assisted by local staff or his family members. These kinds of shops are passed from one generation to other generation.
- For eg. grocery store, stationery shop, or a cloth store, etc.

Advantages
Independent retailer

- Flexibility
- Investment Costs Down
- Ease in entry
- Strong Control
- Rapport with customers
- Independence
- Entrepreneurial Drive

Advantages
Independent retailer

- Lack of Power
- No Economies of Scale
- Labor Intensive
- Limited Access to Advertising
- Over-dependence on Owner
- Limited Resources for Long-run Planning

Chain retailer/ corporate retail chain

- When two or more retail outlets are under a common ownership it is called a retail chain. Chain Stores are groups of retail stores engaged in the same general field of business that operate under the same ownership or management, chain stores are retail outlets owned by one firm and spread nationwide.
- For example, Big bazaar, Shopper's stop, Monginis, CCD etc.

Advantages
Chain retail

- Bargaining Power with the suppliers
- Cost Efficiencies
- Operating Efficiencies
- Technical Abilities
- Advertising Availability

Disadvantages
Chain retail

- Time and Resources Spent on Long-run Planning
- Limited Flexibility
- Investments High
- Managerial Control is Difficult
- Limited Independence for Personnel

Franchising

- A franchise is a contractual agreement between franchisor and a franchisee in which the franchisor allows the franchisee to conduct a business under an established name as per the business format.
- In return the franchisee has to pay a fee to the franchiser.
- For example: Pizza hut, McDonalds, etc.

Franchisee Advantages

- Small Capital Investment
- Brand Awareness
- Operation Procedures and Management Skills
- Reduced Marketing Cost
- Exclusive Selling Rights

Franchisee Disadvantages

- Contract Provisions
- Cancellation Clauses
- Less authority in decision making

Franchisor Advantages

- National or Global Presence
- Ownership Qualifications Set
- Stringent Rules for Franchisees
- Royalties Continue
- Smooth Operations

Franchisor Disadvantages

- Intra-franchise Competition
- Injured Profitability
- Franchisee Desire for Independence

Leased Departments

- These are also known as Shop in Shops.
- When a section or a department in a retail store is rented to the outside party it is called leased department.
- The licensor permits the licensee to use the property and in turn the licensee pays a fee to the licensor for using his property.

Leased Department Advantages

- Fills Merchandise
- Enlarged Market
- Reduces Store Costs
- Increased Percent of Revenues

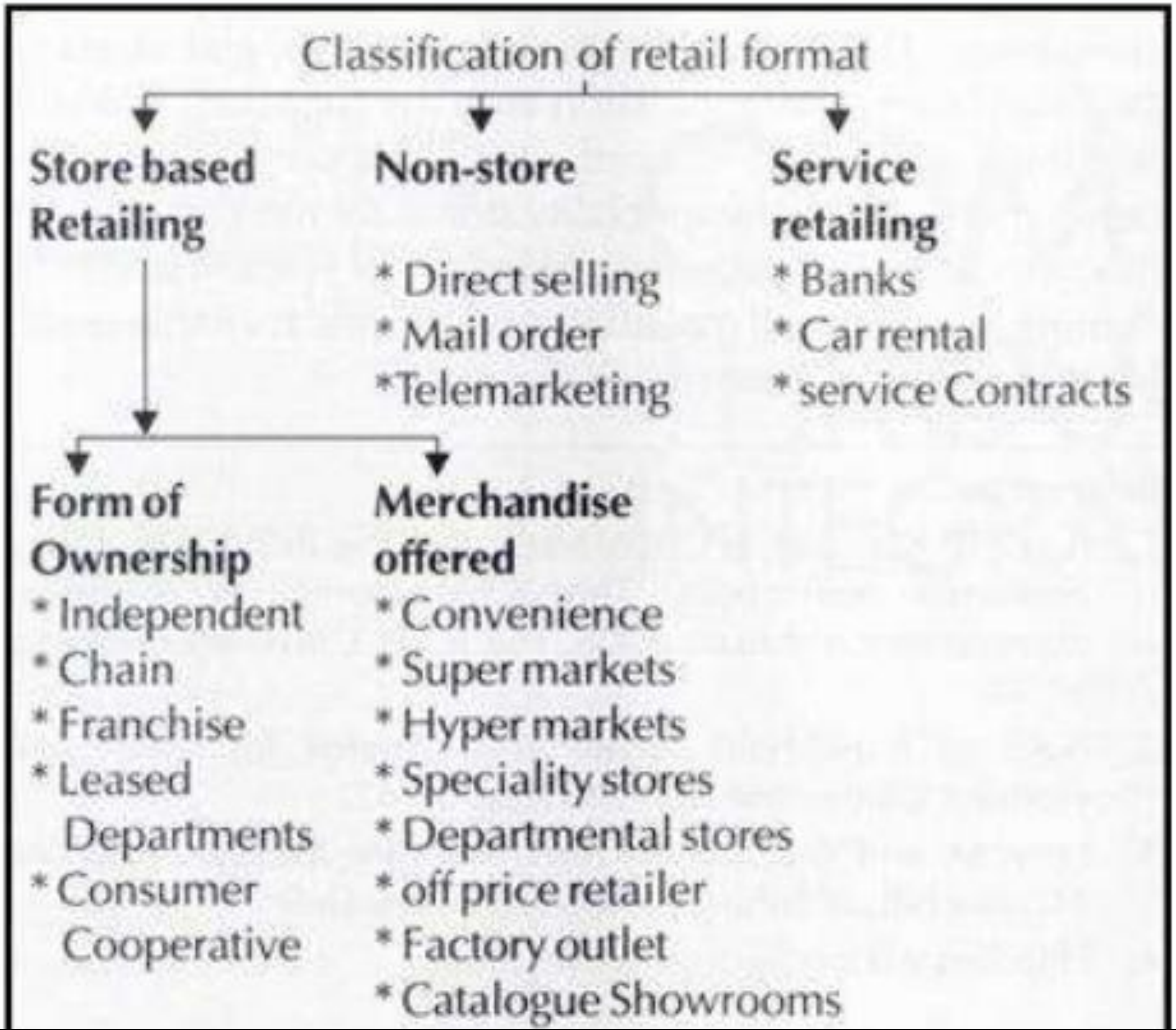
Leased Department Disadvantages

- Conflicts in Operating Procedures
- Damaged Image

Consumer co-operatives

- A consumer co-operative is a retail organisation owned by its member customers. The objective is to provide commodities at a reasonable price. For example: Sahakari Bhandar, Apna Bazaar etc.

Retail Formats



Store Based Retailing

On the Basis of Merchandise offered

Departmental Stores

- A departmental store is a large scale retail institution that offers several products from a pin to plane such as clothing, grocery etc. Retail establishment that sells a wide variety of goods.
- Departmental stores are the largest form of organized retailing today, located mainly in metro cities, in proximity to urban outskirts.
- They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Pantaloon, Dmart etc.

Convenience stores

- These are relatively small stores located near the residential area.
- They offer limited line of convenient products
- Sells items such as candy, ice-cream, soft drinks, lottery tickets, cigarettes and other tobacco products, newspapers and magazines, along with a selection of processed food and perhaps some groceries, etc.
- Such stores enable the customers to make quick purchase and offer them few services. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day; Prices are slightly higher due to the convenience premium.

Super Market

- These are retail organisations that provide low cost high volume self-service operation to meet consumer requirements. Most of the super market charge lower price. Example: Subhiksha, Patel low price, Big Bazaar.
- They are the large self-service outlets, catering to varied shopper needs. These are located in or near residential high streets. A supermarket, also called a grocery store, is a self-service store offering a wide variety of food and household merchandise, organized into department.
- It is larger in size and has a wider selection than a traditional grocery store and it is smaller than a hypermarket or superstore. Supermarkets usually offer products at low prices **by reducing their economic margins.**

Hyper Market

- A hypermarket is a superstore which combines a supermarket and a department store.
- Hyper markets are huge retail stores that offer various products such as clothes, jeweler, stationery, electronic goods at cheaper price
- Example: WalMart, Star Bazaar, Giant Stores etc. They focus on high volume.

Hyper Market


Auchan
HYPERMARKET
max
Auchan

First Gulf Bank
بنك الخليج الاول
LuLu
First Gulf Bank

SPAR
Hypermarket

VISHAL
MEGA MART
Manufacturing to Retailing
A Unit of Vishal Retail Ltd.
10

RelianceMART
ISCON MEGA MALL

ಮೋರ್.
ಮೆಗಾಸ್ಟೋರ್
more.
MEGASTORE

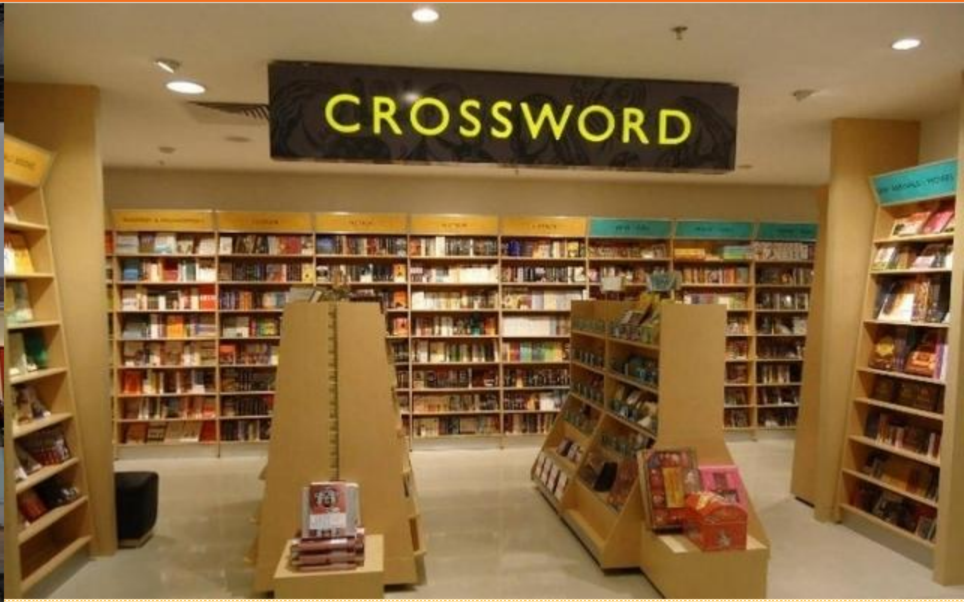
Speciality stores

- Specialty stores carry a **narrow product mix** with depth of assortment within the line.
- The emphasis is on a limited number of complimentary products and **high level of customer service**
- Specialty store often sell shopping goods such as Jewelry, apparel, computers, music systems, sporting goods.
- Like; Tanishq, Titan watches, Van Heusen, Raymond's.

Specialty stores

- A specialty store is a store, usually retail, that offers specific and specialized types of items. They offer a narrow product line that concentrates on specialised products such as jeweler, fabrics, furniture etc.
- Customer service and satisfaction are given due importance.
- For example, a store that exclusively sells cell phones or video games would be considered specialized. A specialty store specializes in one area.

Speciality Stores



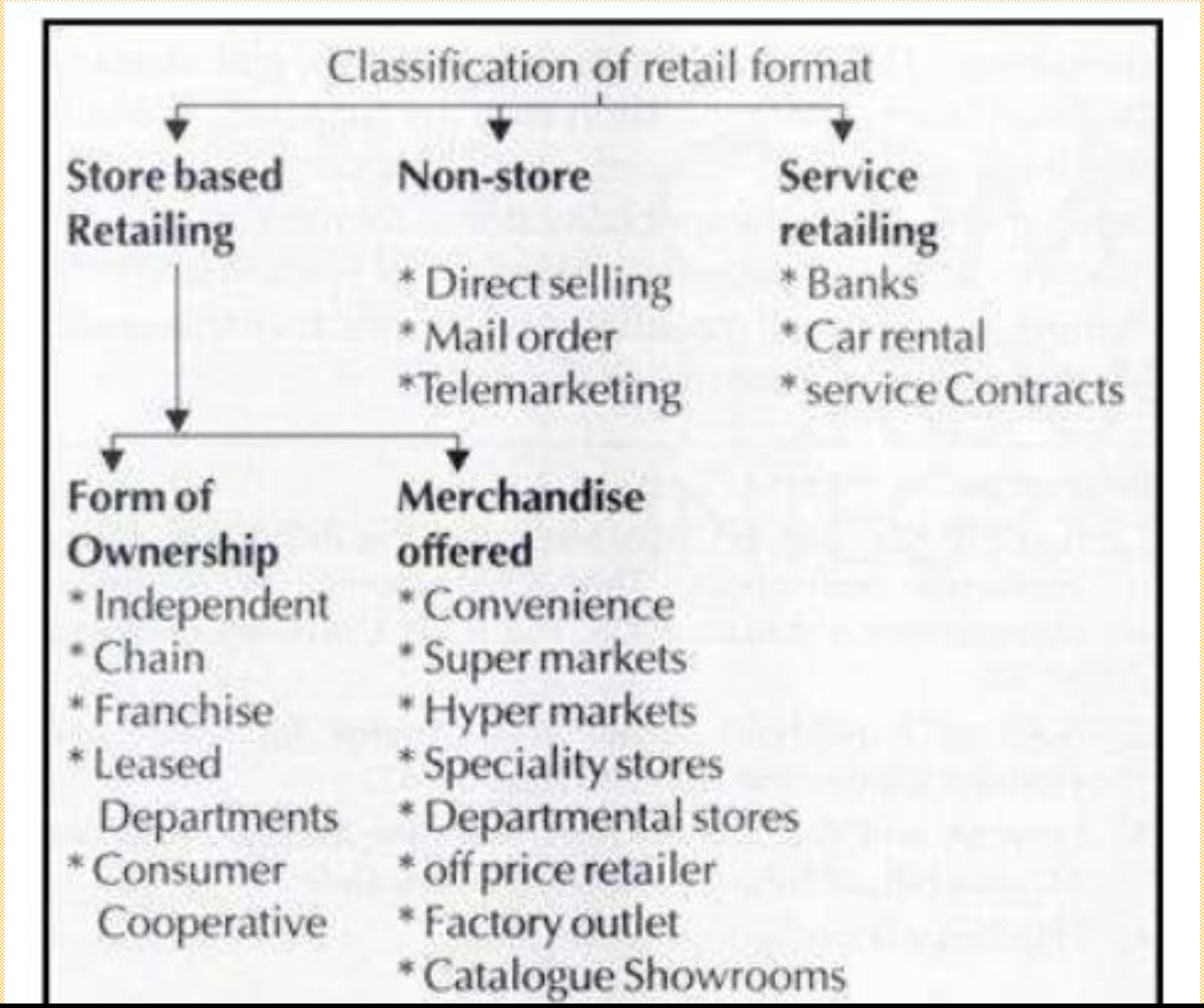
Off price retailers

- Off-price retailers purchase manufacturers seconds, outdated, off seasons at a deep discount
- Odd size, unpopular colors or defected units can be the merchandise

Factory Outlet

Catalogue showrooms

Retail Formats



Non-Store Based Retailing

1. Direct Selling:

- Direct selling is a retail channel for the distribution of goods and services**. There is no fixed retail location.** In direct selling there is a direct contact of the retailer with his ultimate customers.
- It is highly an interactive form of retailing. Products like cosmetics, jewellery, food items are sold in such manner. The retailers visit home place or work place of the customers to sell the products. It is also known as **network marketing** where the products and services are sold face to face.

2. Mail order:

- It is a retail format in which offerings are communicated to the customers through a catalogue, letters or broachers. Such retailing is suitable for specialty products. The buyer places an order for the desired products with the **merchant through website**. Internet and online payment options, has made shop from home easier.

3. Tele Marketing:

- It is a form of retailing in which the products are **advertised on television**. Details about the product in regard to its features, price, warranty, direction to use etc. are mentioned and explained. Phone numbers are provided due to which customers can make a call and place an order for the product.

Non-Store Based Retailing

4. Automatic Vending:

- This is a form of non store retailing in which the products are stored in a machine and dispensed to the customers when they deposit cash. Vending machines are placed at convenient and busy locations like air ports, shopping malls, working place etc. This machine primarily contains products like chocolates, snacks and drinks etc.

5. Electronic retailing:

- It is also called as e-tailing or internet retailing. It is a retail format in which products are offered to the customers through internet. The customers can evaluate and purchase the products from their homes or office place. This kind of retail is gaining importance in recent years.

Organized Vs. Unorganized Sectors

- The Indian retail industry is divided into organized and unorganized sectors.
- The unorganized retail comprises of the local baniya or kirana shop, paan and beedi shops and the other owner manned general stores .
- These retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax.
- On the other hand, the organized retail comprises of the licensed retailers who are registered for sales tax, income tax etc. and it comprises of the malls, supermarkets, hypermarkets etc.

Organized retail

- ‘Organized Retail refers to the set-up of any retail chain supported by a well defined Supply Chain which usually has a small number of middlemen when compared to the unorganized sector.
- Due to a number of factors like cutting down of middlemen, removing of bottlenecks along the supply chain, efficiency in the processes, etc., the end user is rewarded with a better product at a cheaper price as against the unorganized retail sector.
- As the consumer base is growing each minute, the organized retail sector is believed to have a huge growth potential.’

Unorganized retail

- Unorganized retailing refers to the traditional formats of low cost retailing for example, the local kirana shops, owner manned general stores, paan-bidi shops, convenience store, hand cart and pavement vendors.
- Traditional or unorganised retailing contributing to over 95% of total retail revenues.
- The unorganized retailing comprises of ‘mom and pop’ stores or ‘kirana’ stores.
- Trading hours are flexible and the retailer to consumer ratio is very low due to the presence of several kirana stores in the locality.
- More than 99% of retailers function in less than 500 Sq. Ft of area. The pricing was done on ad hock basis or by seeing the face of customer.

Significance of Organized Retail

- Experience Shopping to Middle Class
- Employment generation
- Increasing efficiency in agriculture
- Rapid economic growth
- Potential untapped market
- Deep Assortment of product or broad choice to customer

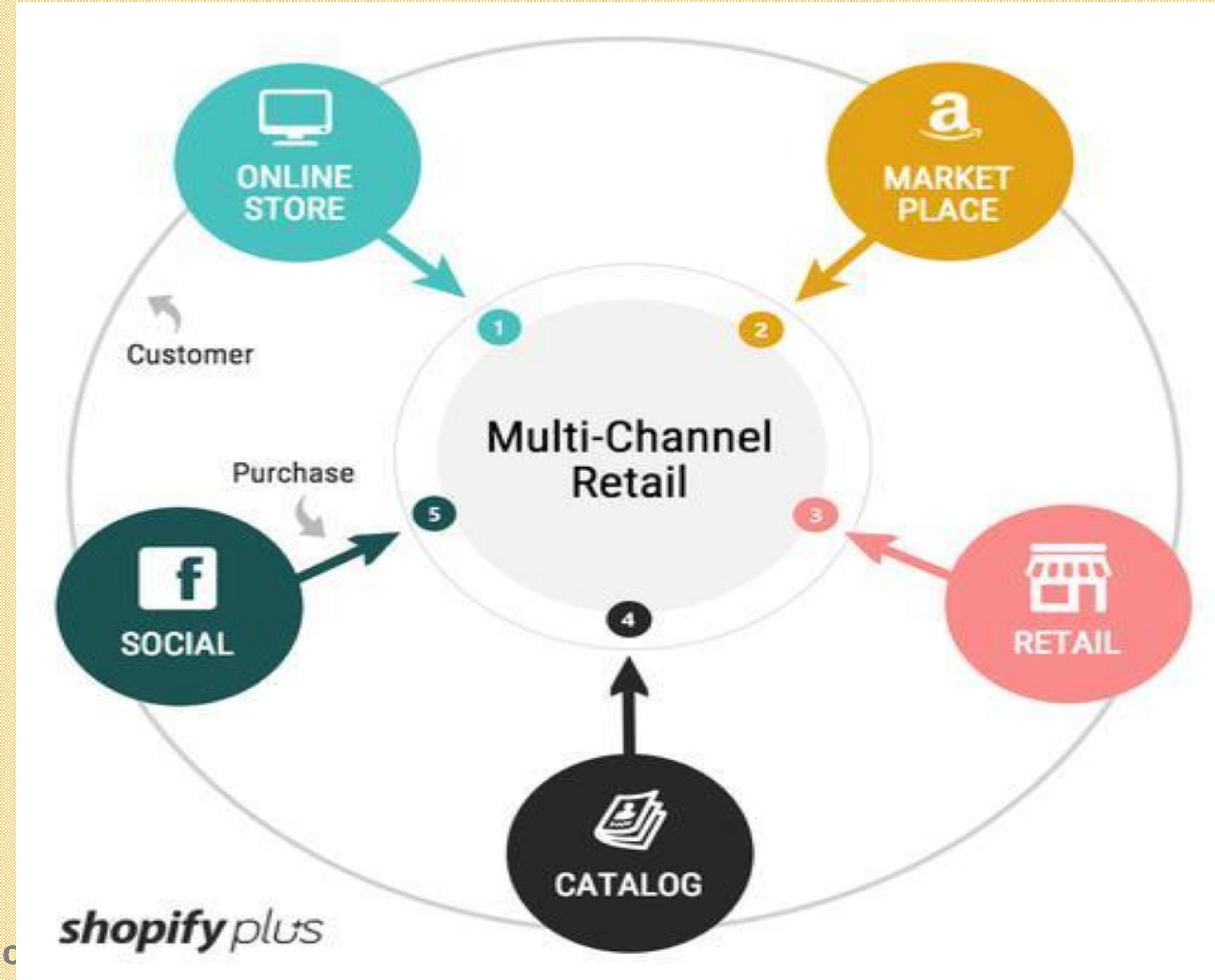
Challenges to organized retail

- Regulatory barriers
- Unfavorable taxation structure
- Lack of integrated IT usage
- High competition
- High training cost
- Constant changes in shopper preferences

Multichannel retailing

- Multi-channel retailing is a marketing strategy that offers your customers a **choice of ways to buy products.**
- A true multi-channel strategy covers purchases from **a store**, **purchases from a website, telephone ordering, mail orders, interactive television, catalog ordering and comparison shopping sites.**
- The aim of a multi-channel retailing strategy is to **maximize revenue and loyalty** by offering your customers choice and convenience.

Multichannel retailing



The Multi-Channel Retailer

The McGraw-Hill Companies, Inc./Andrew Resek, photographer

Retailer

Steve Cole/Getty Images

Digital Vision / Getty Images

A retailer that sells merchandise or service through more than one channel. By using a combination of channels, **retailers can exploit the unique benefits provided by each channel.**

Why are Retailers Using Multiple Channels to Interact with Customers?

- Customer wants to interact in different ways
- Each channel offers a unique set of benefits for Customers

Multichannel retailing

Benefits Provided by Different Channels

Stores	Catalogs	Internet
		
• Browsing	• Convenience	• Convenience
• Touching and feeling merchandise	• Safety	• Safety
• Cash payment	• Portability and easy access	• Personalization
• Instant gratification		• Broad and deep assortments
• Personal service		
• Entertainment and social interaction		
• Risk reduction		

Virtual Communities

- People who seek information, products and services communicate with each other regarding specific issues
- **Social shoppers:** seek not just information but also an enhanced emotional connection to others participants in the shopping experience

Royalty-Free/CORBIS

How Can the Electronic Channel Overcome The Challenges??

Use technology to convert "touch and feel" information into "look and see" information

- 3-D Imaging
- Zoom Technology
- Live Chat
- 360 Degree Viewing
- Virtual Models

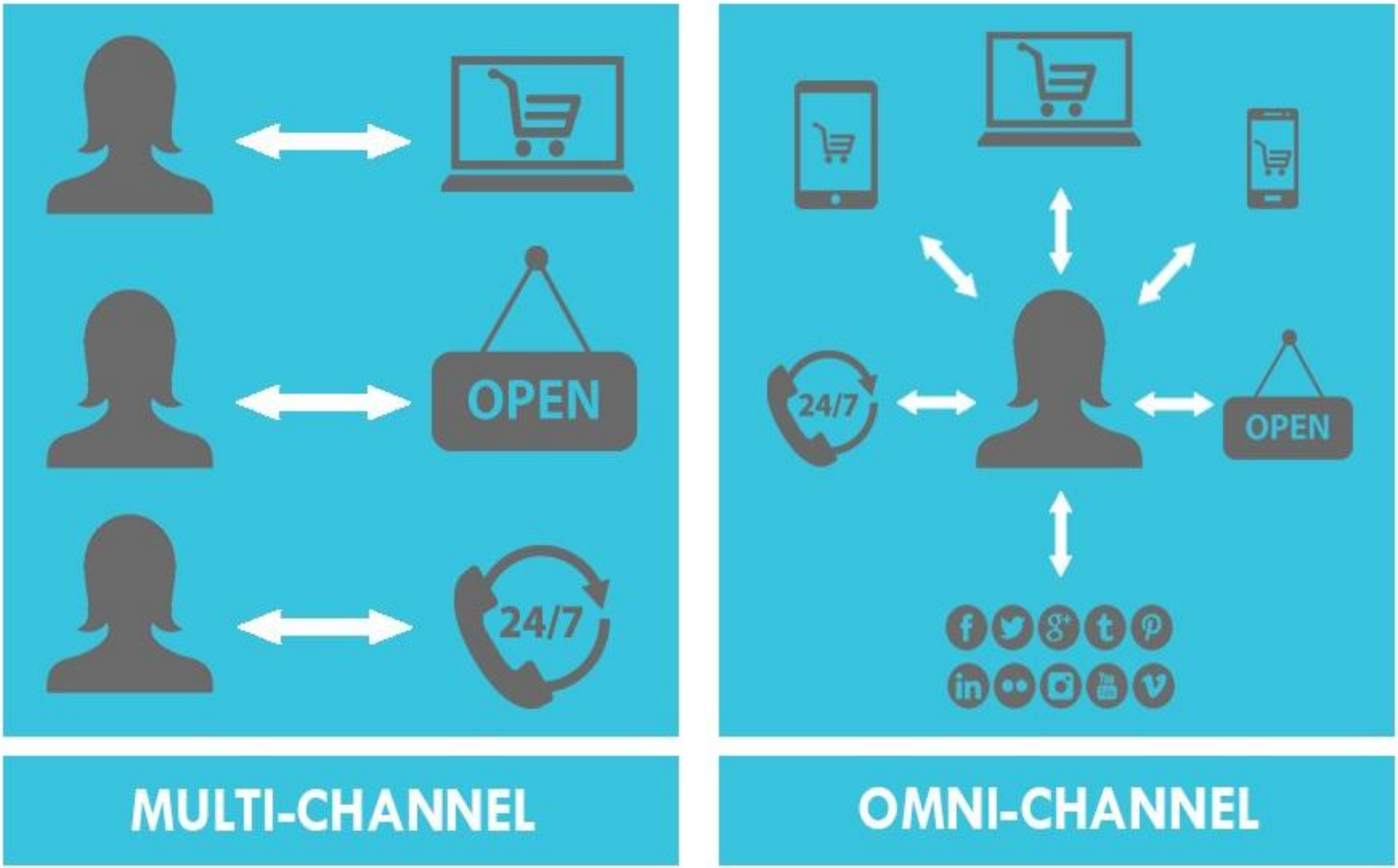
Technology increases conversion rates

conversion rates: % of consumers who buy the product after viewing it

Benefits of Multi-Channel Retailing

- Increased assortments
- Low cost in terms of investment
- Updated with current information
- Increasing customer satisfaction
- Gaining insights into consumer shopping behaviour
- Expanding market presence
- Building a strategic or competitive advantage

Multichannel Vs. Omnichannel



Types of multichannel retailing

E-tailing

- Electronic retailing is the sale of goods and services through the internet.
- Electronic retailing, or e-tailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising.
- E-tailing requires businesses to tailor traditional business models to the rapidly changing face of the internet and its users.

Advantages And Disadvantages of E-tailing

Advantages

- Wider reach
- Helps understand consumer behaviour
- Convenience
- Efficiency

Disadvantages

- Expensive
- No physical shopping experience
- Privacy Issues
- Unfamiliarity

I T in retail

Advantages

- Collection of data
- Efficient stocking of merchandise
- Efficiency in operations
- Helps communication

Disadvantages

- Implementation expenses
- Security breaches
- Unemployment and lack of job security

Electronic Data Interchange

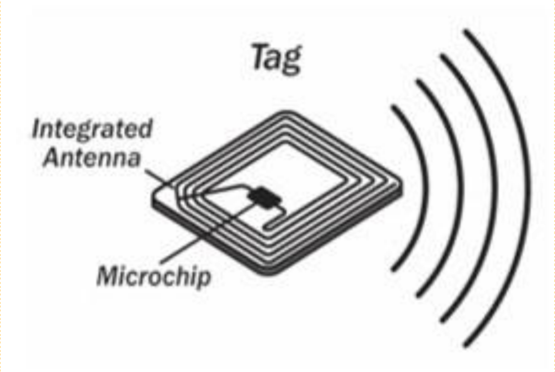
- **Electronic Data Interchange** (**EDI**) is the **electronic interchange** of business information using a standardized format;
- It's a process which allows one company to send information to another company electronically rather than with paper.
- Business entities conducting business electronically are called trading partners.
- A key benefit of EDI to the retailer is the reduction, or elimination, of manual processes.
- eliminating the data entry task EDI allows costly resources (manpower) to be dedicated to other critical functions increasing productivity and reducing costs.
- EDI can increase the accuracy of orders, invoices, and shipping notices (on average) by 20 percent or more.

Bar coding

- A bar code is a series of narrow and wide lines printed on a label or tag.
- Each bar on the label represents a character for a "bar code reader" to interpret.

Radio Frequency Identification (RFID)

- Radio-Frequency Identification (**RFID**) is the use of radio waves to read and capture information stored on a tag attached to an object.
- A tag can be read from up to several feet away and does not need to be within direct line-of-sight of the reader to be tracked.



RFID

- **RFID tags** are **used** in many industries, for example, an **RFID tag** attached to an automobile during production can be **used** to track its progress through the assembly line; **RFID**-tagged pharmaceuticals can be tracked through warehouses; and implanting **RFID** microchips in livestock and pets allows for positive identification.

Electronic surveillance

The technology to monitor unusual behavior in the outlet. CCTV is one such example to ensure security of merchandise in retail store.

Green Retailing

- **Green Retailing** (GR) refers to the management approach that pursues environmental protection to improve the **retail** value chain through eliminating waste, increasing efficiency and reducing costs.
- It is a part of the larger obligation of business- CSR that describes the voluntary actions taken by a company to address the ethical, social, and environmental impacts of its business operations.
- Eco friendly practices are;
  - Less elaborate packaging
  - Make bags and receipts optional
  - Reuse packing material etc

Airport Retailing

- Airport is a high pedestrian area that has become popular with national retail chains.
- The time spent by the passengers at airports has increased due to early check in times set by airlines following security and operational concerns.
- This has increased the retail opportunities.
- The cost of operating are high as the rent paid is also high.

2. Retail Consumer and Retail Strategy

Retail Shopper

- Consumers have different needs that motivate them to go shopping.
- The needs can be classified as utilitarian or hedonic.
  - Utilitarian needs are associated with work whereas hedonic needs are associated with fun.

Factors influencing retail shoppers

- Range of merchandise
- Convenience of shopping/ Time to travel
- Socio Economic background and culture (Asians prefer more spices in their food)
- The stage of family life cycle

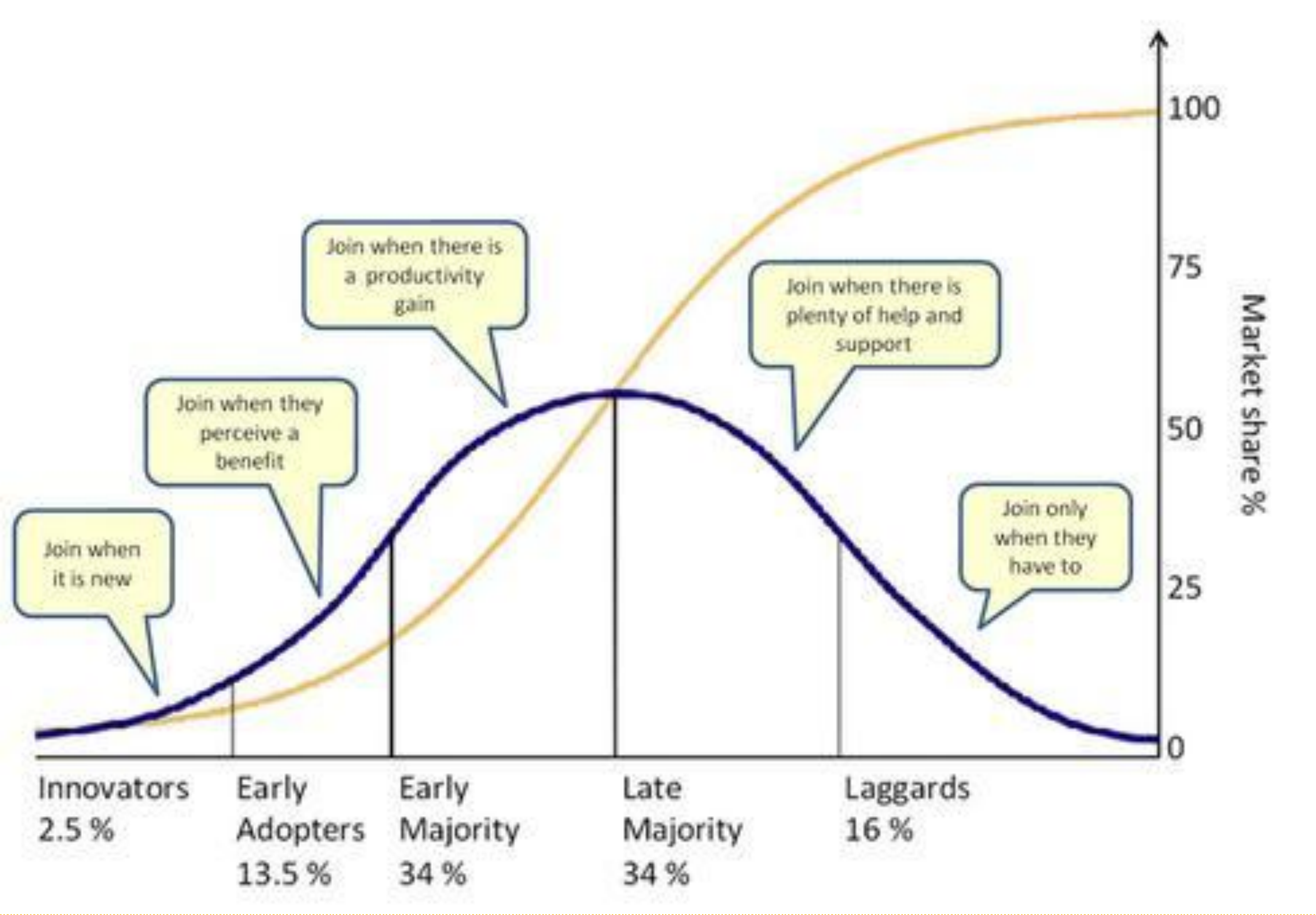
Changing profile of retail shoppers

- The new age Indian shopper is younger, innovative, a risk taker.
- He is comfortable to adopt new technology, has a higher disposable income but a shorter attention span and he is less tolerant of service failures.
- Consumers are ready to spend for shopping experience.
- Not only utilitarian value but hedonistic value also appease the customers.

Changing profile of retail shoppers

- Socially connected
- Style conscious (from impulse buying to high involvement products)
- Low brand loyalty
- Informed purchases
- Spends on leisure
- Shortage of time (Speedy delivery, availability of stock matters)
- Health conscious

Technology adoption life cycle



Market research as a tool for understanding retail markets and shoppers

- Research prior to setting up a retail store:
  - Primary information required:
    - Demographic data (Population, Age, Purchasing power, Disposable income etc.)
    - Consumer data (Buying and spending pattern)

Significance of research

- Evaluating the customer satisfaction with the existing range of products and service
- Generating ideas for developing new products
- Evaluating the acceptability of the products
- Pricing of new products
- Understanding the customer profiles

CRM

- **Customer relationship management** (CRM) is a technology for managing all your company's relationships and interactions with customers and potential customers.
- The objective is to retain the customers for life.
- CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers
- CRM **adds value** to the offering made by the retailer.

Benefits of CRM in retail

- **Improved customer relations**
- **Maximize upselling and cross-selling**
- **Expand customer base**
- **Optimize marketing**
- **Improve retailer’s efficiency**

Customer retention approaches

- Frequent shopper programs
  - Rewards according to the volume of purchase
  - Offer choices
  - Incorporate charitable contributions (donate a part of their sales revenue)
  - Reward on all purchase (irrespective of the merchandise)
- Special customer services (Premium membership)
- Personalization
- Community (Blogs)

Steps in developing retail strategy

- Defining the mission of the organization
- Setting objectives
- Conducting a situation analysis
- Identifying strategic alternatives
  - Market penetration
  - Market development
  - Retail format development
  - Diversification
- Obtain and allocate resources
- Develop the strategic plan
- Implement the strategy
- Evaluation and control of strategy

Retail value chain

- The retail value chain defines a **series of actions** that enable businesses to sell their products to customers. Each action in the chain brings a portion of value to the entire process.
- **“Reconfiguring”** the value chain can provide cost advantage to the firm.

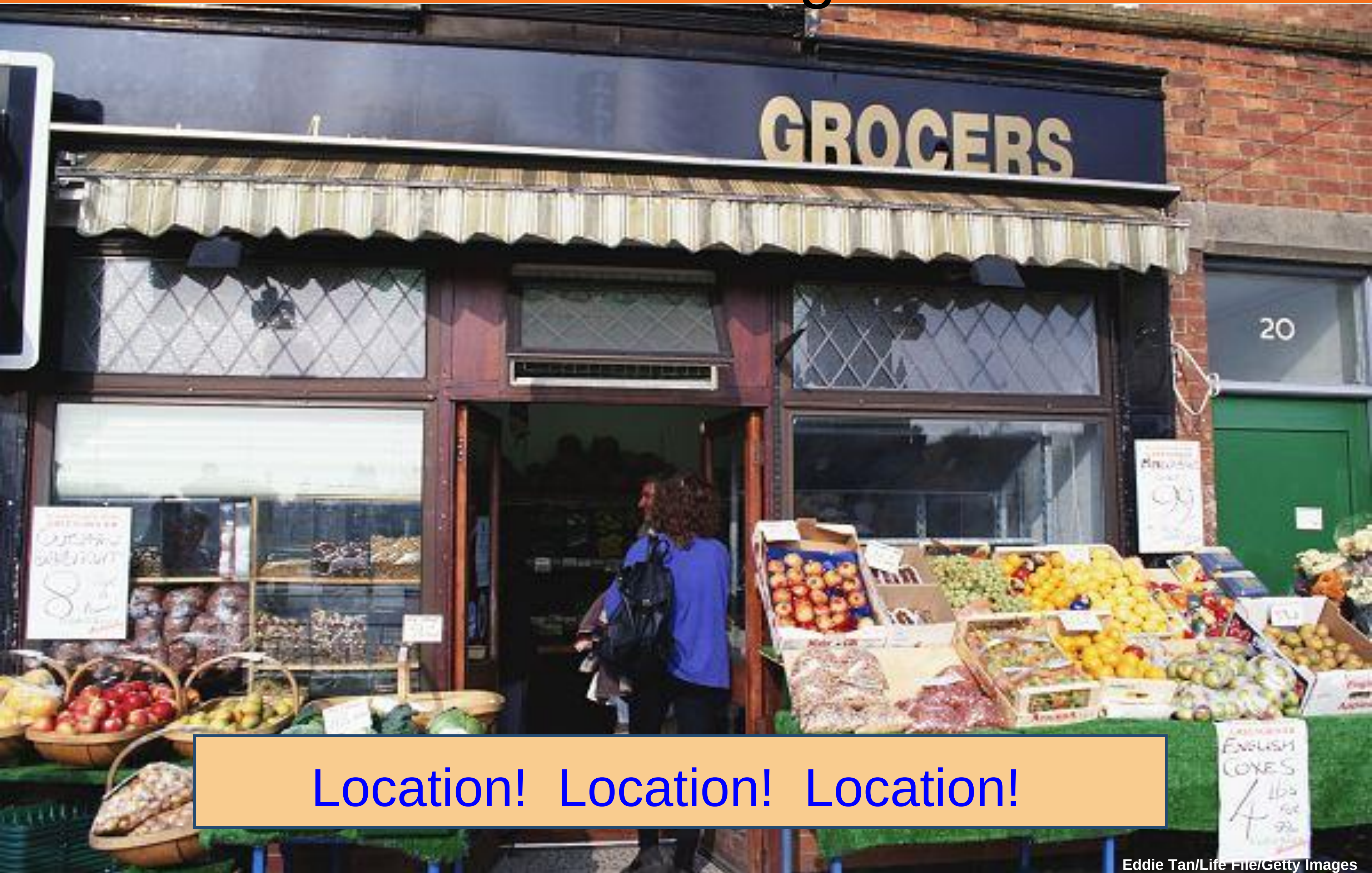
The four steps in the retail value chain are:

- creating the product,
- storing the inventory,
- distributing the goods
- making the product available for consumers.

Composition of a value chain

- Inbound logistics (transport, storage and delivery of goods coming into a business)
- Operations
- Outbound logistics
- Marketing and sales
- Service
- Procurement
- Technology development and HRM

What Are the Three Most Important Things in Retailing?



Location! Location! Location!

Eddie Tan/Life File/Getty Images

Why is Store Location Important for a Retailer?

- Location is typically **prime consideration** in customer’s store choice.
- Location decisions have strategic importance because they can help to develop sustainable **competitive advantage**.
- Location decisions are risky: **invest or lease**?

Selection of a store location

- Accessibility, Visibility, and Traffic
- Signage, Zoning, and Planning
- Competition and Neighbors
- Location Costs
- Others:
  - Is there adequate fire and police protection for the area?
  - Is there sanitation service available?
  - What is the crime rate in the area?

Types of retail location

A. **Freestanding sites**: location for individual store unconnected to other retailer

Advantages:

- Convenience
- High traffic and visibility
- Modest occupancy cost
- Separation from competition
- Few restrictions

Freestanding sites

B. **Part of a business district**

1. Central business district
   - Ballard Estate, Bandra Kurla Complex, CBD Belapur and Nariman Point

Advantages

- Draws people into areas during business hours
- Hub for public transportation
- Pedestrian traffic
- Residents

2. Main street

3. Inner city


9th position
Connaught Place


30th
position


PICS: DEEPAK TURBHEKA R AND SATSIHMALAWADE
19th
position
WOCKHARDT

C. Shopping center

- A shopping center is a group of retail and other commercial establishments that are planned, developed, **owned and managed as a single property**
  - Security
  - Parking lot lighting
  - Outdoor signage
  - Advertising
  - Special events for customers

Types of Shopping Centers

- Neighborhood and Community Centers
- Power Centers
- Lifestyle Centers
- Outlet Centers
- Mixed use developments
- Theme centers

Neighborhood and Community Centers

Managed as a unit

Attached row of stores

The McGraw-Hill Companies, Inc./Andrew Resek, photographer

Onsite parking

Power Centers

Big box stores

Available parking

Free-standing stores

Low occupancy costs

Limited small specialty stores

PhotoLink/Getty Images

Modest vehicular and pedestrian traffic

Open air set up

Many located near enclosed malls

Large trade areas

Convenient

Desirable shopping experience

Power Centers

Lifestyle Centers

- Usually located in affluent residential neighborhoods
- Includes 50K sq. ft. of upscale chain specialty stores
- Open-air configuration
- Design ambience and amenities
- Upscale stores
- Restaurants and often a cinema or other entertainment
- Small department store format may be there

Outlet Centers

These shopping centers contain mostly manufacturers and retail outlet stores

Courtesy of Beall's, Inc.

HRM in retail

What is HRM??

- Human Resource Management (**HRM**) is the term used to describe formal systems devised for the management of people within an organization.
- The responsibilities of a human resource manager fall into three major areas: staffing, employee compensation and benefits, and defining/designing work

Functions and significance of HRM in retail

- Identifying the roles in the organisation
  - Buying and merchandising
  - Store management and operations
- Recruiting and selecting employees
- Training (induction, skill devt.)
- Motivating employees
- Compensation and benefits
- Evaluating performance of employees

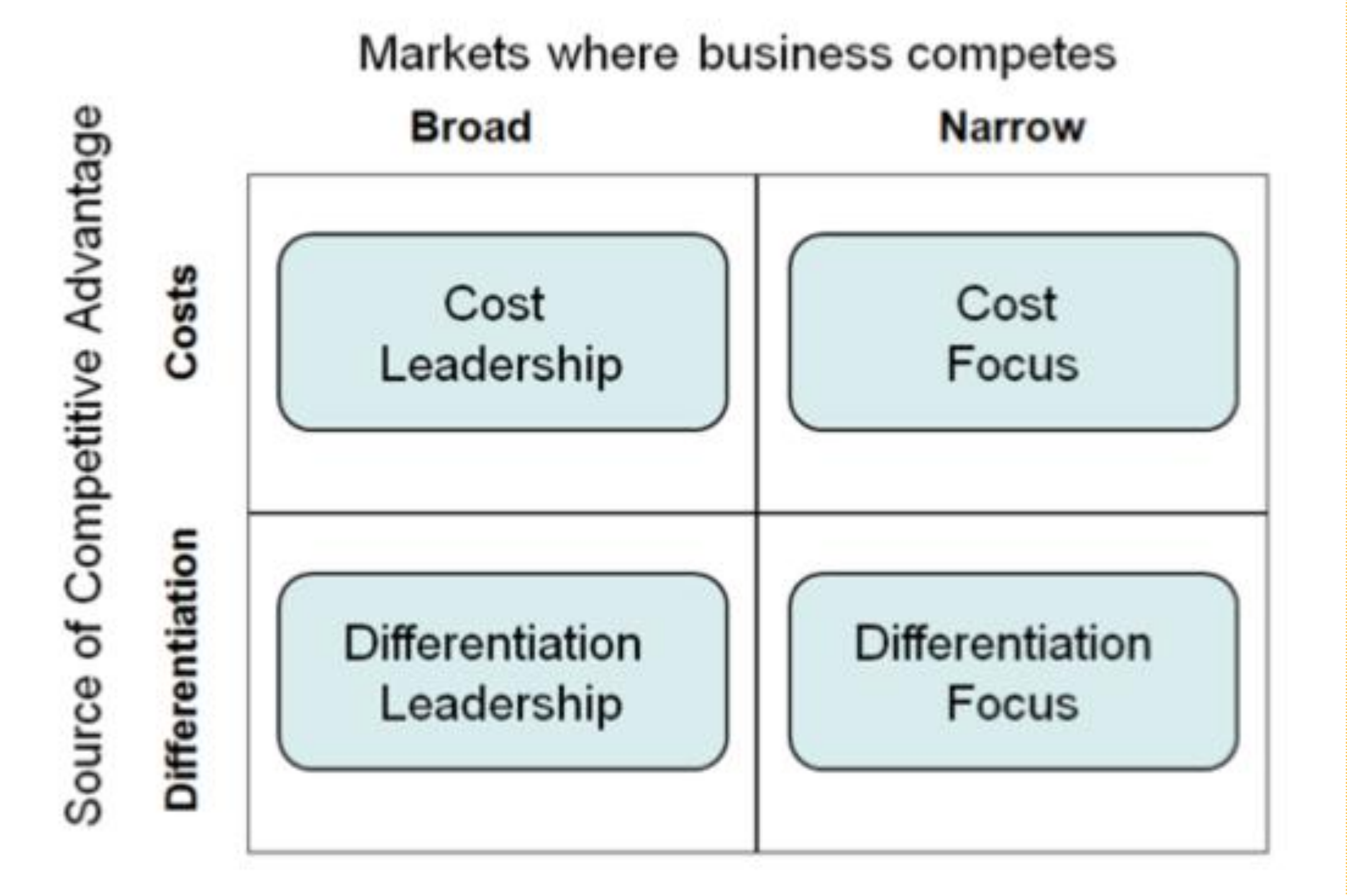
Organisation structure in retail

- An organisation structure enables the activities and tasks to be performed by each employee.
- It determines the **lines of authority and responsibility** in the firm

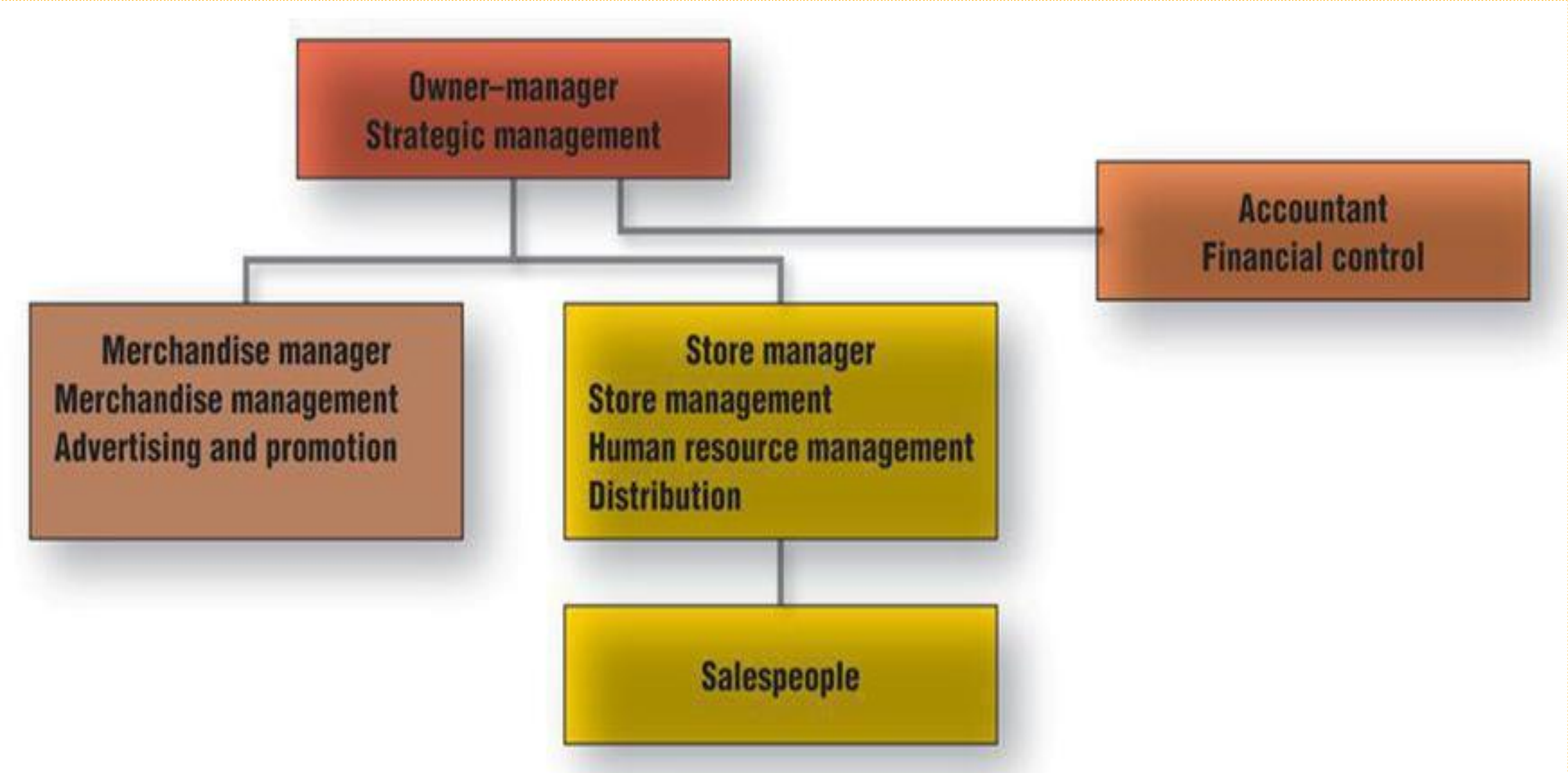
Basis to designs of organisation structure

- Organisational size
- Scale of operations (local, regional, national or international)
- Strategy (Differentiation strategy or cost leadership)
- Environment
  - Stable environment (customer’s desire are mostly consistent)
  - Dynamic environment (customer’s desires are continuously changing)
- Departmentalization

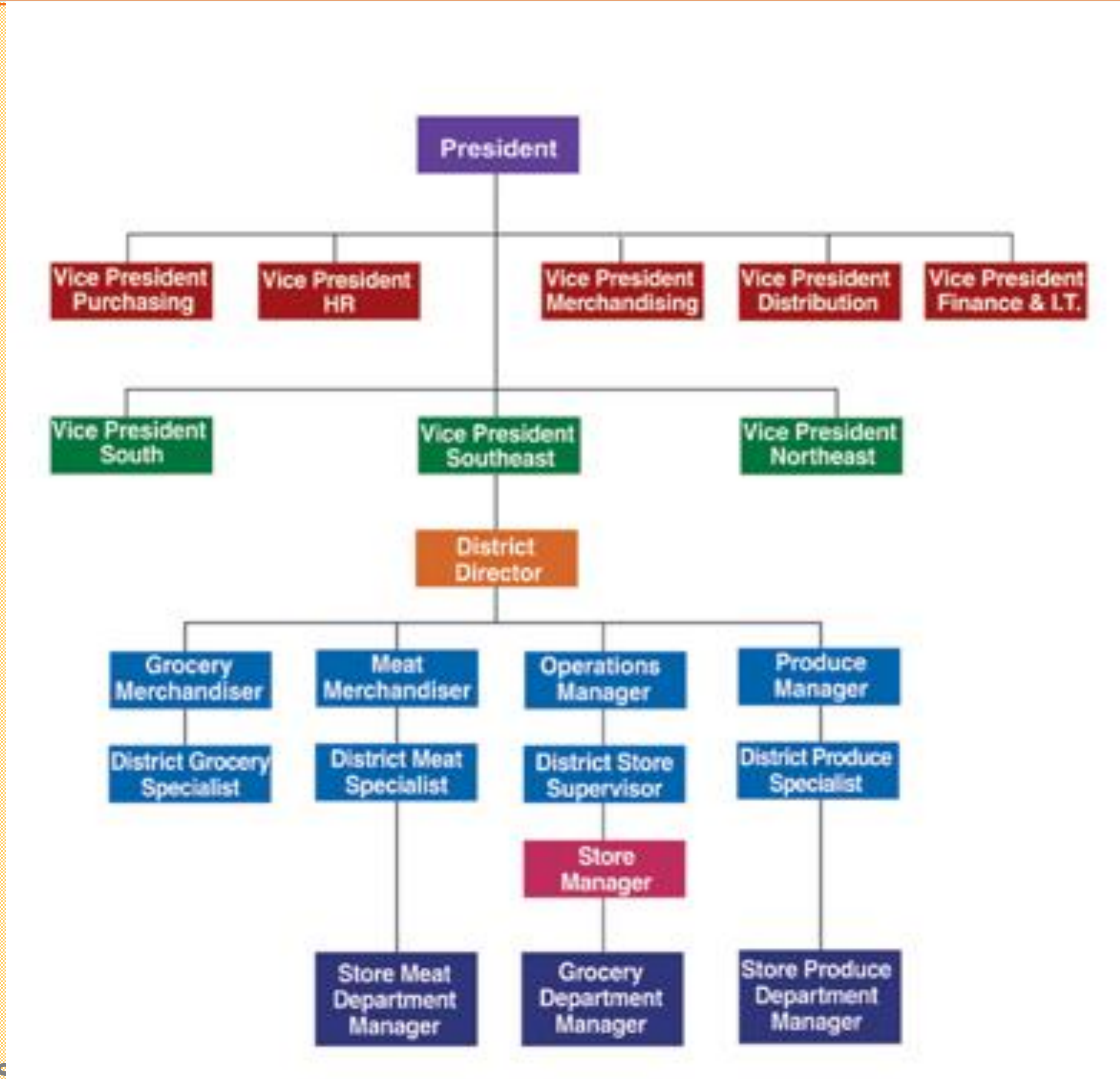
Porter’s Generic Competitive Strategies



Organization structure for small scale retail



Organization structure of a chain/ department store



Merchandise Management and Pricing

Types of merchandise

- Staple/ Basic merchandise (Classics)
  - Caters to basic needs: salt, pulses etc
  - Always in demand
- Fashion merchandise (All about fashion trend)
  - High demand for short period
- Seasonal merchandise (Rain wear, sun coat or sweaters etc)
- Fad merchandise (in contrast to fashion)
- Style (uniqueness in the merchandise)

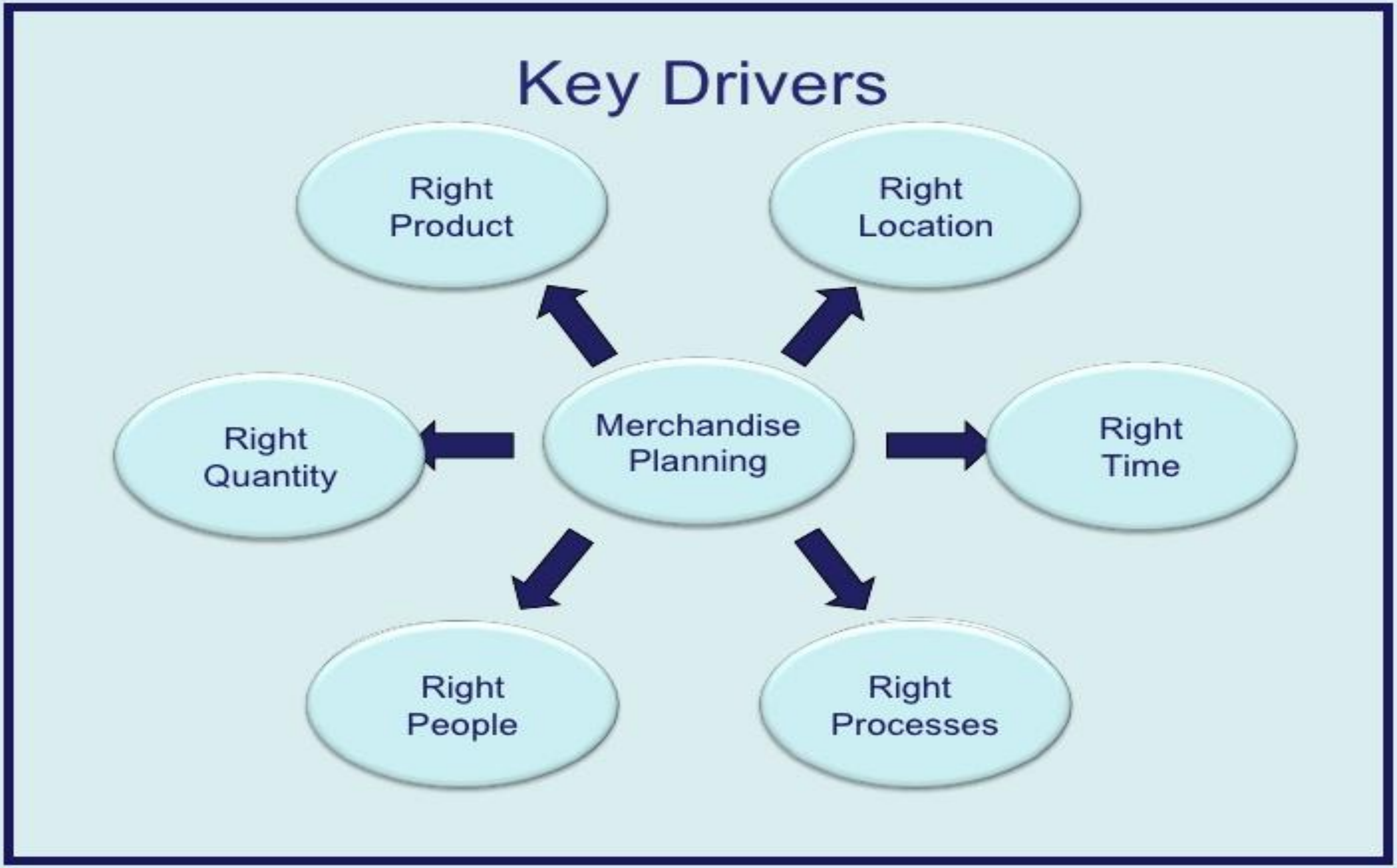
Principles of merchandising

- Breadth of assortment (narrow or wide)
- Depth of assortment (deep or shallow)
- Quality of assortment (high to low)
- local brands or national brands
- Pricing policies or offers

Merchandise planning

- "A systematic approach. It is aimed at **maximising return on investment**, through planning **sales and inventory** in order to increase profitability. It does this by maximising sales potential and minimising **losses from mark - downs and stock - outs**."

Merchandising planning



Process of merchandise planning

Step 1.Planning sales forecast

- Identifying past sales
- Reviewing the changes in the Economic conditions
- Analyzing the retail strategies of competitors

Step 2.Identifying the requirements

- The creation of the merchandise budget
- ✓ The sales plan, stock support plan, planned reductions, planned purchase levels

Step 3. Merchandise control (Open to buy)

- Limits overbuying and under buying
- Prevents loss of sale (unavailability)
- Maintains budget

Step 4. Assortment planning (Range plan, merchandise category)

- Amount available to make the purchases
- Determination of the quantity

Category management

- A category is essentially any group of similar items which the company wishes to buy under a single deal.
- The management part is about applying procurement methodologies to ensure the firm maximizes savings.
- It is also a way for companies to buy more effectively and to save significant sums of money in procurement.
- **Category captain** is the vendor who helps to develop a better understanding of shopping behavior, create assortments that satisfy consumer needs of that area, improve profitability etc

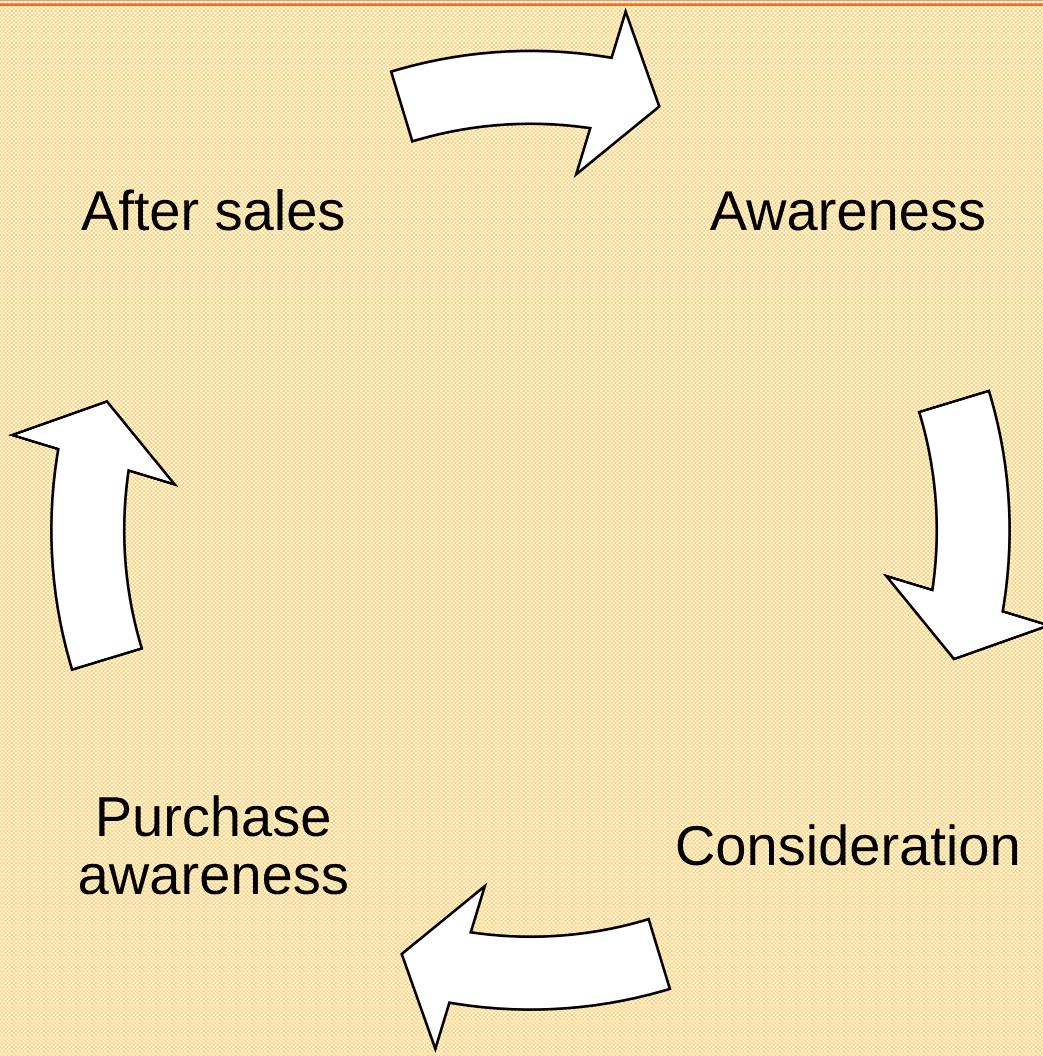
Process of merchandise procurement/ sourcing

- Identifying the sources of supply
  - Country of origin
  - Foreign currency fluctuations
  - Tarriffs/ duties
  - Foreign trade zones
  - Transportation cost
- Evaluating the sources of supply
- Negotiating with the sources of supply
- Establishing vendor relations
- Analyzing vendor performance

Buying function- OTB

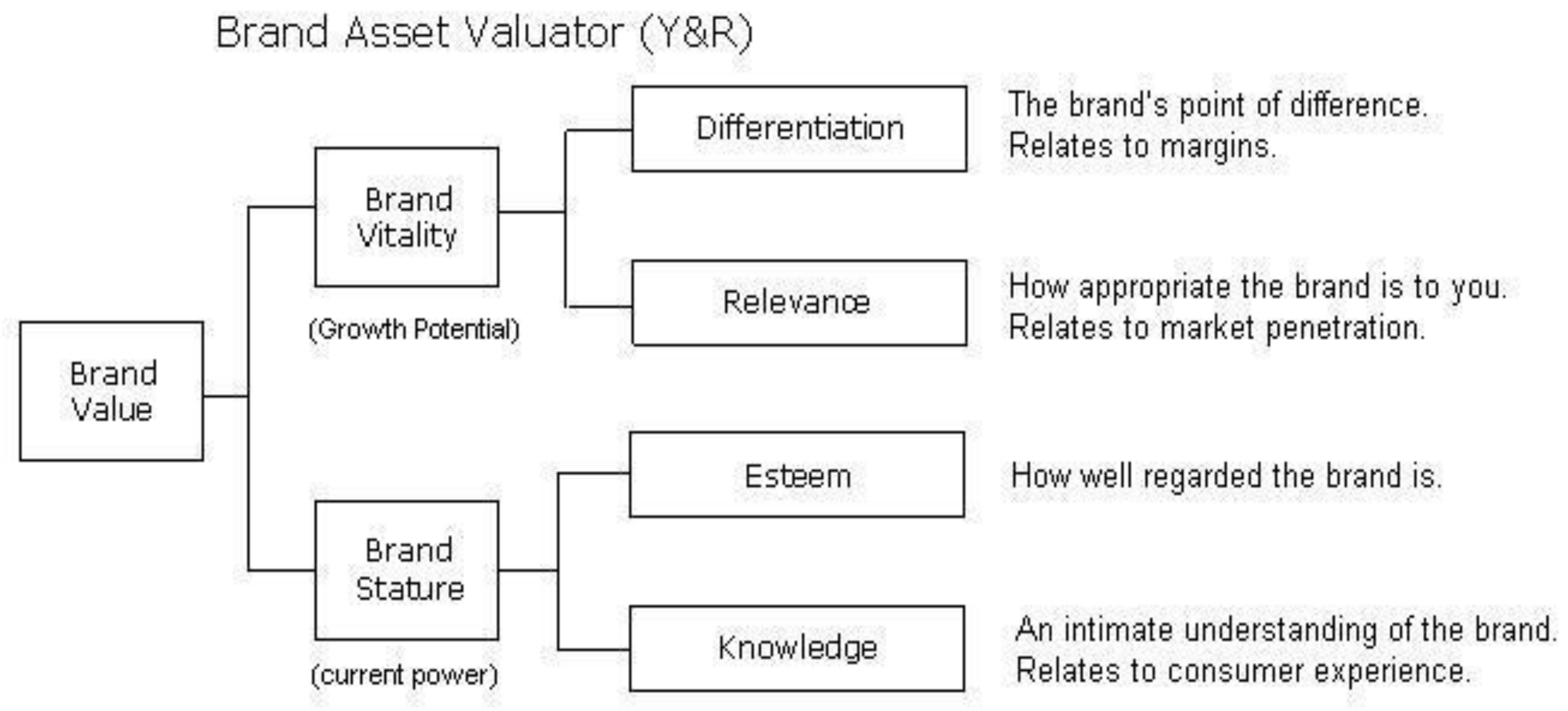
- OTB refers to merchandise budgeted to be purchased during a particular season for which stocks have not as yet been ordered. OTB is a planning tool for any retailer.
- In chain store the buying function may be centralized or decentralized geographically depending on the retail organization. (central buying/ merchandising plan)

Buying cycle



Young and Rubicam's Brand Asset Valuator

- Based on research with almost 2 lacs consumers in 40 countries, BAV provides comparative measures of the brand equity of thousands of brands across hundreds of different categories.



Young and Rubicam’s Brand Asset Valuator

A. Brand Vitality which refers to the current and **future growth** potential that a brand holds in it.

B. Brand Stature which refers to the **power of a brand**.

1. Differentiation

- It is the ability of a **brand to stand apart** from its competitors. Differentiation has three constituents to it.

2. Relevance

- This refers to how **closely can the consumers relate** to the brand’s offering and is a significant driver for a brand’s penetration.

3. Esteem

- This refers to the **consumer perception** about the brand. Whether a brand is popular or not, whether it delivers on its stated promises- all this contribute in building up the esteem of the brand.

4. Knowledge

- This refers to the **degree of awareness** about a brand in the minds of its consumers. This is very important in building a brand and making the consumers understand of what the brand actually stands for and its implicit message to the consumers.

Private label

- *Licensing your product to another company to sell under its own name, rather than under yours .*
- Inventors of just one product typically won't have a lot of luck selling that product to mass merchants, because mass merchants don't want to buy from small, unknown companies that could be unreliable suppliers.
- But rather than accept defeat, inventors often turn to private labeling. They find another company that does sell to mass merchants and offer their product to that company to sell under its name.

Categories of private label brands

- Premium private label
- Copycat brands
- Exclusive brands
- Generic brands

Which category?

Significance of using private label

- High Margin: The advertising and promotional costs are done away.
- Customer Loyalty
- Differentiation
- Competitive advantage
- Better Bargaining Power
- Control: Private labeling gives you more control over pricing, marketing, sales and distribution.

Retail Pricing
Considerations in setting retail price

- Business model
- Target market
- Customer price sensitivity
- Store image and policies
- Competition (monopoly/ oligopoly)
- Economic condition
- Pricing strategies

The pricing strategies

- High/ low pricing
- Everyday low pricing
- Market skimming
- Market penetration
- Leader pricing/ loss leader
- Odd pricing
- Single pricing
- Multiple pricing
- Anchor pricing

Types of variable pricing

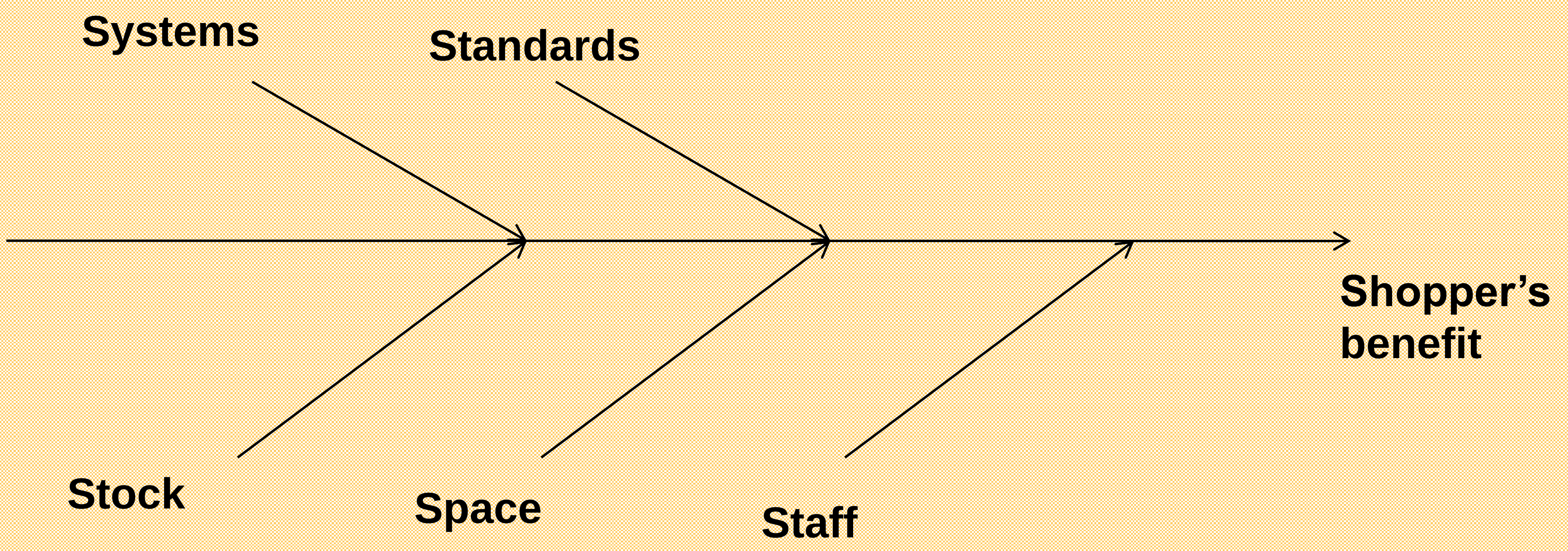
- **Individualized variable pricing/ first degree price discrimination :** charging each individual customer a different price based on their willingness to pay.
- **Self selected variable pricing/ 2nd degree price discrimination :** promotional markdowns, clearance markdowns, price bundling etc
- **Variable pricing by market segment/ 3rd degree price discrimination**

Managing and sustaining retail

Responsibilities of a store manager

- Recruiting and training employees
- Merchandising
- Compliance/ adherence to all legalities
- Improving sales by customer satisfaction
- Monitoring stock levels
- Build and maintain store brand image
- Other responsibilities like, cleanliness, proper order, signage, etc

The 5 S's of retail operations



Elements of store design

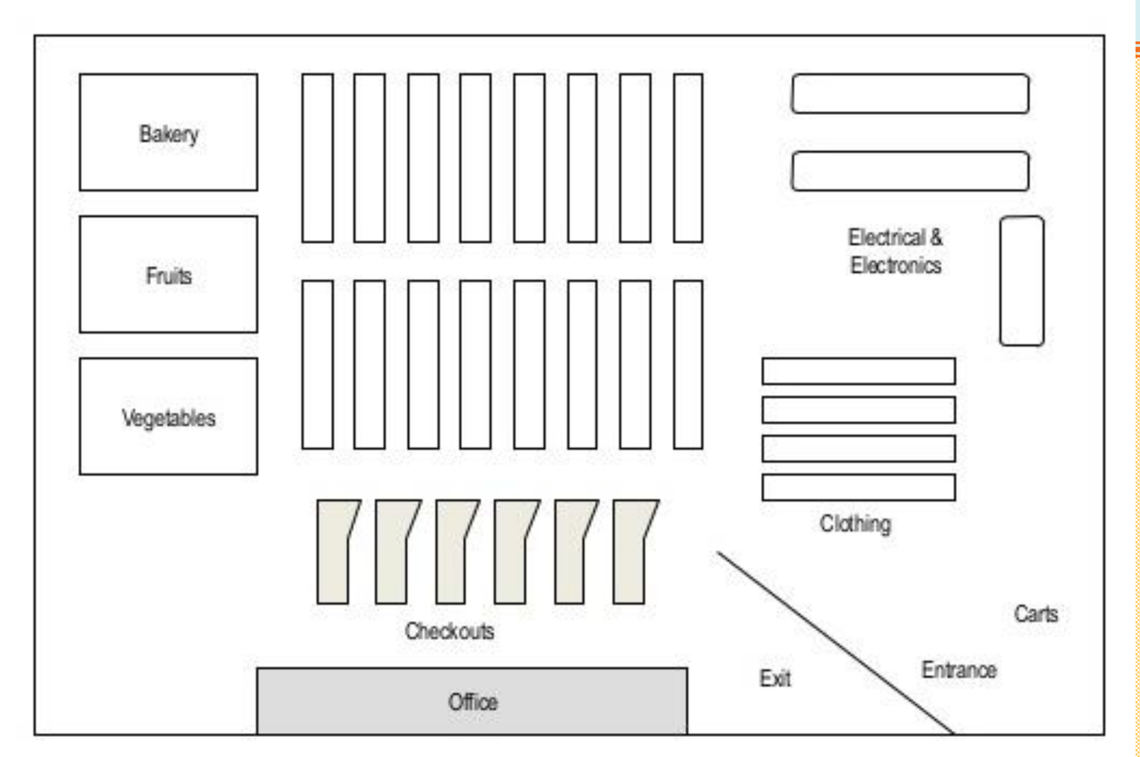
Exterior store design

- The store marquee : A marquee is a structure that bears a signboard, projecting the entrance of the retail store.
- The store front

Interior store design

- Space planning
- Atmosphere/ aroma
- Fixtures
- Flooring and ceilings
- Lightings
- Graphics (Theme, campaign and promotional graphics)

Types of Store Layout



A. Grid layout

If you ever wondered why milk is at the far end of a grocery store, it's because this design forces customers to walk past an assortment of impulse purchase items both on the way to and from the staple item that they need.

Grid layout

- Nearly every convenience store, pharmacy, and grocery store utilizes this layout.
- Merchandise are displayed on a **predictable pattern** of long aisles where customers weave up and down, browsing as they go.
- The grid maximizes product display and **minimizes white space**. This layout is all about product, product, product.

Pros of grid layout

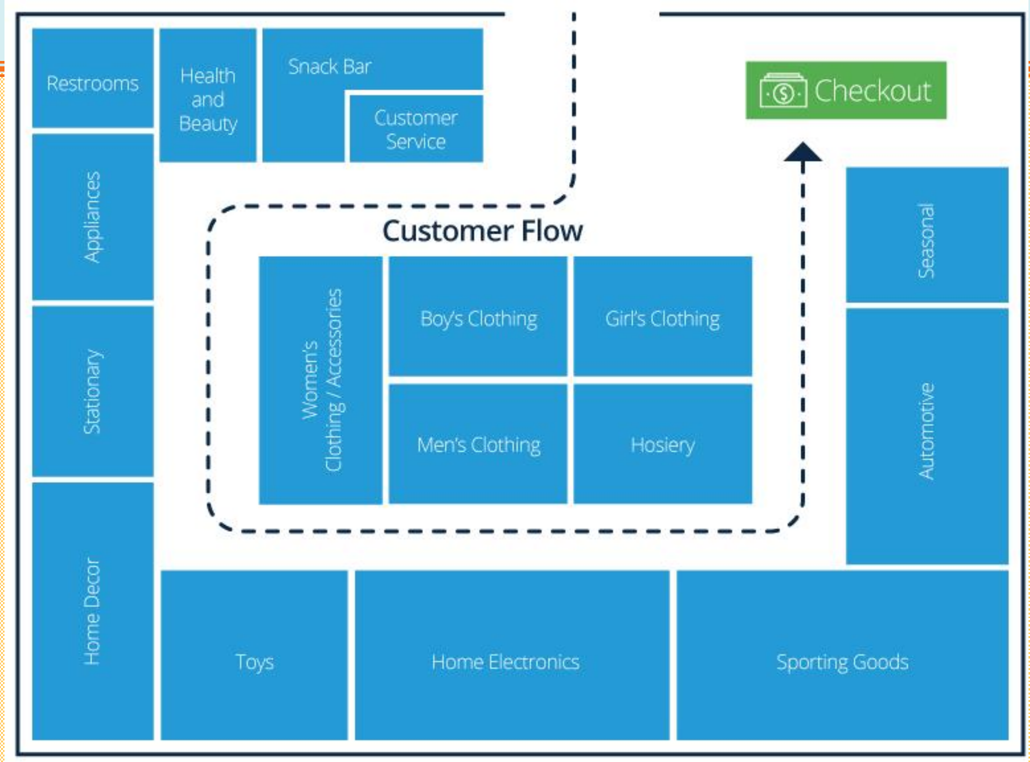
- Best for stores with **lots of merchandise**, especially when **products are varied**
- Lots of exposure to products, as the layout encourages customers to browse multiple aisles
- Familiar for shoppers
- **Predictable traffic flow** means you can put promos where you know customers will see them
- **Lots of infrastructure** suppliers, such as shelving, are available as this layout is used so much

Cons of grid layout

- Least likely to create an **experiential retail space**; this layout is a dime a dozen
- Customers may be frustrated they can’t shortcut their way to what they need
- Customers may not understand your product groupings, leading to frustration and questions (or worse, departure)
- Cramped aisles often lead to customers bumping into one another

The aisle is not working out!

B. Race track/ loop layout



- The loop, or racetrack layout takes the grid's fairly predictable traffic flows a step further and creates a deliberate closed loop that leads customers from the front of the store, past every bit of merchandise, and then to the check-out. Customers are exposed to the most merchandise this way, but the path they take is controlled.

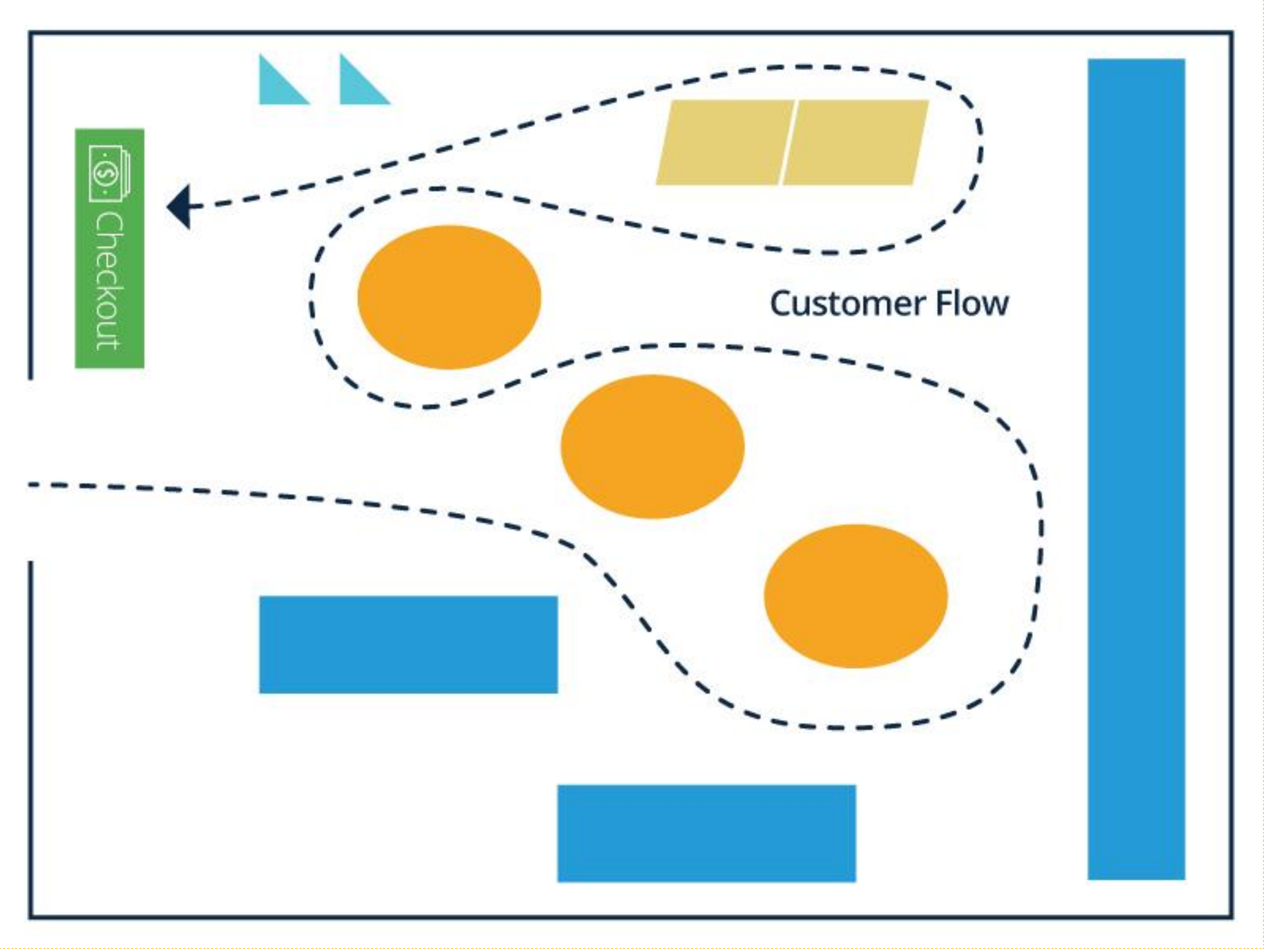
Pros and cons of a loop layout

- **Maximum** product exposure
- **Most predictable** traffic pattern; easiest to place promotions and have highest assurance they'll be seen
- **Can be experiential** — may work with retail where a journey makes sense
- **CONS are:**
- Customers **don't get to browse** at will
- May waste customer's time who knows what they've come for; they **may avoid this shop in the future** when buying intent is specific

C. Freeform layout

- The free-flow layout philosophy is almost a rejection of the others.
- Merchandise is arranged in an asymmetrical manner.
- With free-flow, there is no deliberate attempt to force customers through predictable traffic patterns; **wandering is encouraged**.
- There are far fewer rules.
- This layout doesn’t use the retail space to its maximum.

Freeform layout: Pros and cons???



Signage and graphics

What is a Signage ?

- **Any visual representation which gives information to the customers about a store, any office, building, street, park and so on is called a signage**.
- Signage helps the customers to easily reach their desired destination or locate a building by simply following the instructions displayed on it.


LEVEL 2
Toys
Boys/Girls
Menswear
Home Décor
Domestics
Electronics
Sporting Goods
LEVEL 1
Cafe
Seasonal
Cards/Party
Womenswear
Grocery
Pharmacy
Guest Service
Cleaning Supplies
/Watches


FOREVER 21
SALE SALE SALE
25%-70% OFF
SALE
SALE
SALE
ФИНА
СКИ
FOREVER 21
gettyimages
Bloomberg


Dior
Dior
Miss Dior
j'adore
CD


TAKE AN ADDITIONAL
50% off
50% off

Role of Signage and Graphics in Retail Industry

- A customer can easily locate the store with the help of a signage. It is the signboard which actually **attracts the customers into the store**.
- Signboard gives all necessary **information** about the store.
- The signboards are an effective **medium of communication** between the retailer and the customer.
- A signage goes a long way in influencing the customer's **buying decision**.

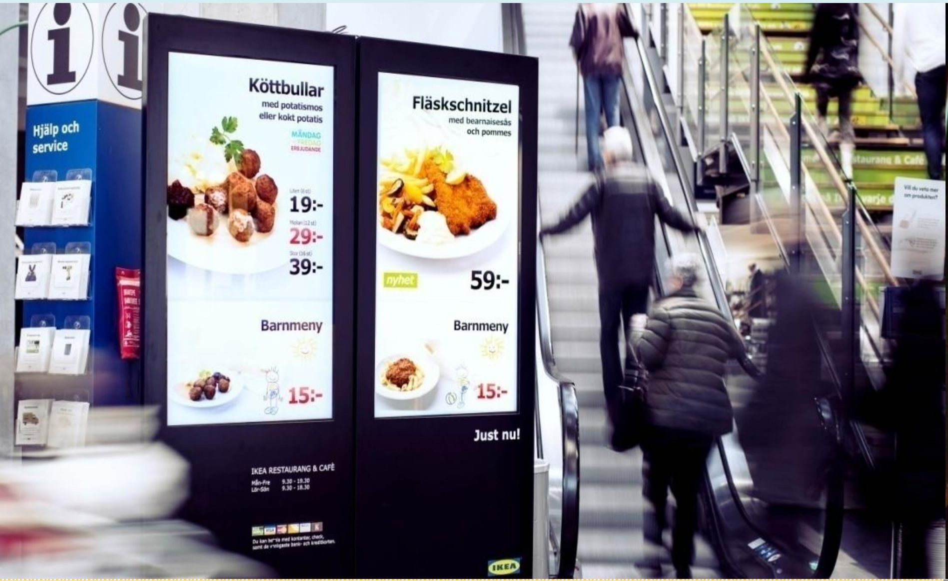
Types of signage

A. Category signage

B. Promotional Signage

C. Point of sale signage

Digital Signage



What can an effective signage do?

- Be a cost effective marketing tool
- Promote products and services
- Communicate essential information
- Create a positive first impression
- Create goodwill
- Commands attention

Signage can be placed at?

- Windows
- Entrances
- Freestanding displays
- End caps
- Promotional aisle
- Walls
- Dressing rooms
- Cash wraps

VISUAL
MERCHANDISING

Visual merchandising

- **Visual merchandising** is a retail strategy that **maximizes the aesthetics** of a product with the intent to increase sales.
- **Visual merchandising** can also play a role in the look, feel and **culture of a brand**.
- Done well, it can create awareness while simultaneously increasing brand loyalty.

Elements of visual merchandising

- Lighting
- Signage and packaging
- Uniform and presentation
- Point of sale material
- Colours, shapes and various textures
- Mannequins
- The planogram
- Display (color dominance, coordinated presentation, presentation by price)

Display Methods

Errors in creating display

- Clutter
- Too many props
- Lack of understanding theme
- Dirty floors
- Poor lighting

Concerns of an Indian retail market

A sense of concern was expressed over the following challenges to the Indian retail market:

- lack of quality locations
- shortage of trained staff
- rising rental values
- mall management

Mall Management

- Positioning
- Zoning – formulating the right tenant mix and its placement in a mall
- Promotions and marketing (exhibitions, concerts etc)
- Facility management – infrastructure, traffic and ambience management
- Finance management

Positioning

On the basis of offerings

- Prestige goods
- Value for money
- Economy

On the basis of anchors

- Entertainment based
- Presence of hyper market
- Specialty based

Facility Management

Infrastructure	Ambience	Traffic
• Power supply • Air conditioning	• Music • Cleanliness	• parking • Events

Ethical aspects of retailing

1. Designing compensation plan:

- **Internal equity** refers to employees' perception of their pay in comparison to their co-workers.
- **External equity** refers to employees' perception of your company's pay in comparison to the pay of similar positions at other companies.

2. Safety and security

3. Employee privacy and employment generation

Issues

Buying merchandise

- Terms of conditions of purchase
- Bribery
- Counterfeit merchandise
- Exclusive dealing agreement
- Price setting

Internet

- Online privacy
- Privacy protection (Federal Trade Commission for online marketing practices)
- Licenses

Career options in retailing

- Buying and merchandising
- Marketing
- Store operations
- Finance
- HR
- Technology
- Visual merchandising
- SCM

Thank you!!

All the best