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Maisammaguda(H),Medchal -Malkajgiri District, Secunderabad, Telangana State-500100,www.mrec.ac.in

Department of Master of Business Administration

E-Content File

II MBA III Semester

Subject

RETAILING MANAGEMENT

Code: C1E17

Academic Year 2023-24

Regulations: MR22

A LECTURE NOTES

ON

RETAILING MANAGEMENT

DEPARTMENT OF MANAGEMENT STUDIES

UNIT-1

Introduction and Perspectives on Retailing -

World of Retailing, Retail management, introduction, meaning, characteristics, emergence of Organizations of retailing - Types of Retailers (Retail Formats) - Multichannel Retailing Customer Buying Behaviour, Historical Perspective, role of retailing, trends in retailing, FDI in Retail - Problems of Indian Retailing - Current Scenario

UNIT-2

Theories of Retailing

Wheel of retailing, The Retail Accordion, Melting Pot Theory, Polarization theory

Retailing strategy for Setting up Retail organization and planning: Retail Market Strategy - Financial Strategy - Site & Locations (Size and space allocation, location strategy, factors Affecting the location of Retail, Retail location Research and Techniques, Objectives of Good store Design.) – Human Resource Management, Information Systems and supply chain management & Logistics.

UNIT-3

Store management and visual merchandising: Store Management: Responsibilities of Store Manager, Store Security, Parking Space Problem at Retail Centres, Store Record and Accounting System, Coding System, Material Handling in Stores, Management of Modern retails -Store Layout, design: *Types of Layouts*, role of Visual Merchandiser, Visual Merchandising Techniques, Controlling Costs and Reducing Inventories Loss, Exteriors, Interiors Customer Service, Planning Merchandise Assortments -Buying systems Buying merchandise and Retail Communication Mix

UNIT-4

Retail Pricing: Factors influencing retail pricing, Retail pricing strategies, Retail promotion Strategies

Relationship Marketing & International Retailing: Management & Evaluation of Relationships in Retailing, Retail Research in Retailing: Importance of Research in Retailing, Trends in Retail Research, Areas of Retail Research. Customer Audits, Brand Management in retailing, Internationalization of Retailing and Evolution of International Retailing, Motives of International Retailing, International Retail Environment – Socio-Cultural, Economic, Political, Legal, Technological and issues in international retailing

UNIT-5

Retail Audit and ethics in Retailing

Undertaking an audit, responding to a retail Audit, problems in conducting a retail audit.

Ethics in retailing, social responsibility and consumerism

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Module 1

Introduction and Perspectives on Retailing

World of Retailing:

Retailing is a global, high-tech industry that plays a major role in the global economy. About one in five U.S. workers is employed by retailers. Increasingly, retailers are selling their products and services through more than one channel—such as stores, Internet, and catalogs. Firms selling services to consumers, such as dry cleaning and automobile repairs, are also retailers.

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 fulfil 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.

What is Retailing?

- Most common form of doing business
- It consists of selling merchandise from a permanent location (a retail store) in small quantities directly to the consumers.
- These consumers may be individual buyers or corporate.
- Retailer purchases goods or merchandise in bulk from manufacturers directly and then sells in small quantities
- Shops may be located in residential areas, colony streets, community centers or in modern shopping arcades/ malls.

Meaning of Retailing:

- According to Kotler: ´Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non business uses.

- A process of promoting greater sales and customer satisfaction by gaining a better understanding of the consumers of goods and services produced by a company.

Characteristics of Retailing:

1. Direct interaction with customers/end customers.
2. Sale volume large in quantities but less in monetary value
3. Customer service plays a vital role
4. Sales promotions are offered at this point only
5. Retail outlets are more than any other form of business
6. Location and layout are critical factors in retail business.
7. It offers employment opportunity to all age

Types of Retailers:

Store Retailing by Store based Strategy

Food Retailers

1. Departmental stores.
2. Convenience Store.
3. Full Line Discount.
4. Conventional Supermarket.
5. Specialty Stores
6. Food Based Superstore
7. Off Price Retailer.
8. Combination Store.
9. Variety Store.
10. Super Centres
11. Flea Market.
12. Hypermarket.
13. Factory Outlet.
14. Limited Line Stores.
15. Membership Club.

1. Department Store

Department stores are large retailers that carry wide breadth and depth of products. They offer more customer service than their general merchandise competitors. Department stores are named because they are organized by departments such as juniors, men‘s wear, female wear etc. Each department is act as ―ministore‖. Means the each department is allocated the sales space, manager and sales personnel that they pay an attention to the department. IMC programme for each department is different and particular. Department store utilizes various sources for marketing communication. Due to overstoring most of the budget are spending on advertising, couponing and discounts. Unfortunately the use of coupons diminishes profits and creates a situation where consumer does not buy unless they receive some type of discount.

2) Convenience stores:

Convenience stores are located in areas that are easily accessible to customers. Convenience store carry limited assortment of products and are housed in small facilities. The major seller in convenience stores is convenience goods and non alcoholic beverages. The strategy of convenience stores employ is fast shopping, consumer can go into a convenience stores pick out what they want, and check out relatively short time. Due to the high sales, convenience store receives products almost daily. Because convenience store don‘t have the luxury of high volume purchase.

3) Full line Discount Stores

It conveys the image of a high volume, low cost, fast turnover outlet selling a broad merchandise assortment for less than conventional prices. It is more to carry the range of products line expected at department stores, including consumer electronics, furniture and appliances. There is also greater emphasis on such items as auto accessories, gardening equipment, and house wares. Customer services are not provided within stores but at centralized area. Products are sold via self service. Less fashion sensitive merchandise is carried.

4) Specialty Store:

Specialty store carry a limited number of product within one or few lines of goods and services. They are named because they specialize in one type of product. Such as apparel and complementary merchandise. Specialty store utilizes a market segmentation strategy rather than typical mass marketing strategy when trying to attract customers. Specialty retailers tend to specialize in apparel, shoes, toys, books, auto supplies, jewellery and sporting goods. In recent years, specialty stores have seen the emergence of the category killer. Category killers (sometimes called power retailer or category specialty) are generally discount specialty stores that offer a deep assortment of merchandise in a particular category.

5) Off-price Retailers

Off price retailers resemble discount retailers in that they sell brand name merchandise at everyday low prices. Off price retailers rarely offer many services to customers. The key strategy of off price retailers is to carry the same type of merchandise as traditional department stores but offer prices that can be 40 to 60 percent lower. To able to offer the low prices, off price retailers develop special relationship with their suppliers for large quantity of merchandise. Inventory turnover is the key factor of successful off price retailing business. In addition to purchasing close outs and cancel orders, off price retailers negotiate with manufacturer to discount order off merchandise that is out of seasons or to prepay for items to be manufactured thus reducing the price of buying items.

E.g. there are many types of off price retailers, including outlet store, Manufacturers department store or even specialty store chains can be an off-price retailer.

6) Variety Store

Variety store offer deep assortment of inexpensive and popular goods like stationary, gift items, women‘s accessories, house wares etc.They are also called 5 to 10 percent store because the merchandise in such stores, used to cost much.

7) Flea Market

Flea market is a literal transaction of the French aux puces, in outdoor bazaars in Paris. A flea market is the outdoor or indoor facility that rent out space to vendors who offer merchandise, services and other goods that satisfy the legitimate needs of customers. Flea market provides opportunity for entrepreneur to start business at low price. A flea market consist of many retail vendors offering a variety of products at discount price at places where there is high concentration of people. On specific market days they assemble for exchange of goods and services.

8. Factory Outlets

Factory outlets are manufacturer owned stores selling manufacturers closeouts, discontinued merchandise, irregulars, cancelled orders, and sometimes in seasons, first quality merchandise.

9) Membership Clubs

A membership club appeals to price conscious consumers, who must be a member of shop there. It breaks the line between wholesale ling and retailing. Some members of typical club are small business owners and employee who pay a nominal annual fee and buy merchandise at wholesale prices; these customers make purchase for use in operating their firm or for personal use. They yield 60% of total club sale. The bulk members are final consumers who buy exclusively for their own use; they represent 40 %of overall sales.

10. Conventional supermarket.

Conventional supermarket is essentially large departmental stores that specialize in food. According to the food marketing institute, a conventional supermarket is a self service food store that generates an annual sales volume of $2 million or more. These stores generally carry groceries, meat and produce products. A conventional food store carries very little general merchandise.

11. Food Based Superstore

One of the biggest trends over the past twenty years in food retailing has been the development of superstore. Superstores are food based retaliates that are larger than the traditional supermarket and carry expanded service daily, bakery, seafood and non food sections. Supermarket varies in size but can be as large as 150000 sq ft. Like combination stores food based superstore are efficient, offer people a degree of one stop shopping stimulate impulse purchase and feature high profit general merchandise.

12. Combination Store

Because shoppers have been demanding more convenience in their shopping experience, a new type of food retailers has been emerging. This type of retailer combines food items and non food items to create one stop experience for the customer. Combination stores are popular for the following reasons. They are very large from the 30000 to 100000 or more sq ft. this leads to operating efficiencies and cost savings. Consumer like one stop shopping and will travel further to get to the store. Impulse sales are high.

13. Super Centres and Hypermarkets

Super centre is a combination of a superstore and discount store. Supercenter developed based on the European Hypermarkets, an extremely large retailing facility that offers many types of product in addition to foods. In supercentre more than 40 percent of sales come from non food items. Super Centre is fastest growing retail category and encompasses as much as sales. Wal-Mart is category leader with 74 percent share of super centre retail share.

14. Warehouse Clubs and Stores.

Warehouse clubs and stores were developed to satisfy customers who want to low prices every day and are willing to give up services needs. These retailers offer a limited assortment of goods and services, both food and general merchandise, to both end users and midsize businesses. The stores are very large and are located in the lower rent areas of cities to keep their overhead low cost low. Generally, warehouse clubs offer varying types of merchandise because they purchase product that manufactures have discounted for variety of reasons. Warehouse clubs rely on fast moving, high turnover merchandise. One benefits of this arrangement is that the stores purchase the merchandise from the manufacture and sell it prior to actually having to pay the manufacturer.

15. Limited Line Stores

Limited line store also known as box stores or limited assortment stores, represent a relatively small number of food retail stores in the United States. Limited line store are food discounters that offer a small selections of products at lows prices. They are no frills stores that sell products out of boxes or shippers. Limited line stores rarely carry any refrigerated items and are often cash and carry, accepting no checks or purchase bags from the retailers. In limited line store, the strategy is to price products at least 20 percent below similar products at conventional supermarkets.

Non Store Retailing.

1. Direct Marketing.
2. Electronic/Internet/E- Direct Selling.
3. Vending Machines
4. Catalog Marketing
5. Franchising

Direct Marketing

Direct marketing is defined as an interactive system of marketing, which uses non personal media of communication to make a sale at any location or to secure measurable response. Direct marketing is a method wherein the manufacturer or producer sells directly to retailer, user or ultimate consumers without intervening intermediaries. This offers flexibility with maximum controls of sales efforts and marketing information feedback. Various forms of Direct Marketing-telemarketing, Direct mail marketing, television, marketing,

Direct Selling.

In contrast to direct marketing, which involves no personal contact with consumers, direct selling entails some type of personal contact. This contact can be at the consumer home or at an out of home location such as the consumer office.

Vending Machines.

Vending machines represents an additional class of retail institutions. Essentially, vending is non store retailing in which the consumer purchase a product through a machine. The machine itself takes care of the entire transaction, from taking the money to providing the product. Vending machine offerings range from typical products such as soft drinks and candy to insurance, cameras, phone calls, phone cards, books, paper and pens.

Catalog Marketing.

Mail Orders marketing/Catalog Marketing, also called as mail order business, is one of the established methods of direct marketing. Since mail orders marketers use catalogues for communication with the consumer, this form of marketing is often referred to as catalogue marketing. In these methods the consumer become aware of product through information furnished to them by the marketer through catalogues dispatched by mail.

Franchising

Franchise in French means privilege or freedom. Franchising refers to the methods of practicing and using another person‘s philosophy of business. The franchisor grants the independent operators the right to distribute its products, techniques and trademarks for a percentage of gross monthly sales and royalty fee. Various tangibles and intangibles such as national or international advertising, training and other support services are commonly made available by the franchisor. Agreements typically last five to twenty years, with premature cancelation or termination of most contracts bearing serious consequences for franchisees.

Advantage of Franchising.

Advantage to the Franchiser.

Low Capital & Low Risk.

Speeder Expansion.

Extended Market Penetration.

Disadvantages of Franchising

Business Control.

Expenses Involved

Lower profit Potential.

Multichannel Retailing:

Multi channel retailers are defined as those who browse or purchase through more than one channel (retail store, catalog, Internet)

The emergence of multiple channels, especially the internet as a strong channel for shopping, has been a real empowerment for the customer today. The customer is option rich, time and attention poor and fully aware of the choices that he or she has access to in the market. Multichannel retailing helps deliver a superior shopping experience by synchronizing customer touch points and leveraging channel capabilities. The broad trends that we have been seeing in the industry that will have a positive impact on Multi channel retail are:

- Customers that use the online channel in addition to traditional store based retailing has grown by 20-30% year over year
- Internet influenced offline spending has grown significantly over the past few years
- Cross-channel customers are younger and wealthier
- Customers spend more at the store (about $150) when buying a product after performing their research online; increasing the retailer‘s share of the customer wallet

a) Store channel:

Store-Based Sellers – By far the predominant method consumers use to obtain products is to acquire these by physically visiting retail outlets (a.k.a. brick-and-mortar). Store outlets can be further divided into several categories. One key characteristic that distinguishes categories is whether retail outlets are physically connected to one or more others stores:

�Stand-Alone – These are retail outlets that do not have other retail outlets connected.

� Strip-Shopping Centre – A retail arrangement with two or more outlets physically connected or that share physical resources (e.g., share parking lot)

�Shopping Area – A local centre of retail operations containing many retail outlets that may or may not be physically connected but are in close proximity to each other such as a city shopping district. Regional Shopping Mall – Consists of a large self-contained shopping area With many connected outlets

b) Catalog channel:

The consumer selects the goods he/she wants to purchase from an online catalog. This catalog may be hosted either on the SAP Marketplace or on the retailer's Web site. Once the order is complete, the customer confirms it and notes the order number. The order is then transferred to the retailer's SAP System, the necessary materials are reserved, the internal order is triggered, and the goods are sent off and delivered by a service partner. Using the confirmed order number, the customer can check the status of the shipment at any time on the Internet. Once the goods have been shipped and the customer has received them, the goods receipt is confirmed and based on this, billing then takes place

c) Internet channel

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 focus on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchasers' an ultimate consumer.

Customer buying behaviour:

The buying Process:

1. Need recognition / Problem recognition:

The need recognition is the first and most important step in the buying process. If there is no need, there is no purchase. This recognition happens when there is a lag between the consumer's actual situation and the ideal and desired one.

However, not all the needs end up as a buying behaviour. It requires that the lag between the two situations is quite important. But the ―way‖ (product price, ease of acquisition, etc.) to obtain this ideal situation has to be perceived as ―acceptable‖ by the consumer based on the level of importance he attributes to the need.

2. Information search

Once the need is identified, it‘s time for the consumer to seek information about possible solutions to the problem. He will search more or less information depending on the complexity of the choices to be made but also his level of involvement. (Buying pasta requires little information and involves fewer consumers than buying a car.)

Then the consumer will seek to make his opinion to guide his choice and his decision-making process with:

Internal information: this information is already present in the consumer‘s memory. It comes from previous experiences he had with a product or brand and the opinion he may have of the brand.

Internal information is sufficient for the purchasing of everyday products that the consumer knows – including Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG). But when it comes to a major purchase with a level of uncertainty or stronger involvement and the consumer does not have enough information, he must turns to another source:

External information: This is information on a product or brand received from and obtained by friends or family, by reviews from other consumers or from the press. Not to mention, of course, official business sources such as an advertising or a seller‘s speech.

3. Alternative evaluation

Once the information collected, the consumer will be able to evaluate the different alternatives that offer to him, evaluate the most suitable to his needs and choose the one he think it‘s best for him.

In order to do so, he will evaluate their attributes on two aspects. The objective characteristics (such as the features and functionality of the product) but also subjective (perception and perceived value of the brand by the consumer or its reputation).

Each consumer does not attribute the same importance to each attribute for his decision and his Consumer Buying Decision Process. And it varies from one shopper to another. Mr. Smith may prefer a product for the reputation of the brand X rather than a little more powerful but less known product. While Mrs. Johnson has a very bad perception of that same brand. The consumer will then use the information previously collected and his perception or image of a brand to establish a set of evaluation criteria, desirable or wanted features, classify the different products available and evaluate which alternative has the most chance to satisfy him.

4. Purchase decision

Now that the consumer has evaluated the different solutions and products available for respond to his need, he will be able to choose the product or brand that seems most appropriate to his needs. Then proceed to the actual purchase itself.

His decision will depend on the information and the selection made in the previous step based on the perceived value, product‗s features and capabilities that are important to him.

5. Post-purchase behaviour

Once the product is purchased and used, the consumer will evaluate the adequacy with his original needs (those who caused the buying behaviour). And whether he has made the right choice in buying this product or not. He will feel either a sense of satisfaction for the product (and the choice). Or, on the contrary, a disappointment if the product has fallen far short of expectations.

An opinion that will influence his future decisions and buying behaviour. If the product has brought satisfaction to the consumer, he will then minimize stages of information search and alternative evaluation for his next purchases in order to buy the same brand. This will produce customer loyalty.

Types of buying decisions:

1. Extended problem solving:

Is a purchase decision process in which customers devote considerable time and efforts to analyse the alternatives. Customers typically engage in extended problem solving when purchase decision involves a lot of risk and uncertainty. Financial risk arises when a customer purchases an expensive product or service. Physical risks are important when customers feel that a product or service may affect their health or safety. Social risks arise when customers believe a product will affect how others view them. Consumers engage in extended problem solving when they are making buying decision to satisfy an important need or when they have little knowledge about the product or service.

2. Limited problem solving:

Is a purchase decision process involving a moderate amount of time and effort. Customers engage in this type of buying process when they have had some prior experience with the product or service and their risk is moderate. In these situations, customers tend to rely more on personal knowledge than on external information. They usually choose a retailer they have shopped at before and select merchandise they bought in the past. The majority of decisions involve limited problem solving.

One common type of limited problem solving is impulse buying, which is a buying decision made by customers on the spot after seeing the merchandise.

3. Habitual decision making:

Is a purchase decision process involving little or no conscious effort. Today‘s customers have many demands on their time. One way they cope with these time pressures is by simplifying their decision making process. When a need arises, customers may automatically respond with, ―I‘ll buy the same thing i bought last time from the same store.‖ typically, this habitual decision –making process is used when decisions aren‘t very important to customers and involve familiar merchandise they have bought in the past. When customers are loyal to a brand or a store, they are involved in habitual decision making.

Factors influencing the buying process:

1. Cultural factors

Cultural factors are coming from the different components related to culture or cultural environment from which the consumer belongs.

Culture and societal environment:

Culture is crucial when it comes to understanding the needs and behaviours of an individual.

Throughout his existence, an individual will be influenced by his family, his friends, his cultural environment or society that will ―teach‖ him values, preferences as well as common behaviours to their own culture.

For a brand, it is important to understand and take into account the cultural factors inherent to each market or to each situation in order to adapt its product and its marketing strategy. As these will play a role in the perception, habits, behavior or expectations of consumers.

2. Social factors

Social factors are among the factors influencing consumer behavior significantly. They fall into three categories: reference groups, family and social roles and status.

Reference groups and membership groups:

The membership groups of an individual are social groups to which he belongs and which will influence him. The membership groups are usually related to its social origin, age, place of residence, work, hobbies, leisure, etc..

The influence level may vary depending on individuals and groups. But is generally observed common consumption trends among the members of a same group.

The understanding of the specific features (mindset, values, lifestyle, etc..) of each group allows brands to better target their advertising message.

More generally, reference groups are defined as those that provide to the individual some points of comparison more or less direct about his behavior, lifestyle, desires or consumer habits. They influence the image that the individual has of himself as well as his behavior. Whether it is a membership group or a non-membership group.

Because the individual can also be influenced by a group to which he doesn‘t belong yet but wishes to be part of. This is called an aspirational group. This group will have a direct influence on the consumer who, wishing to belong to this group and look like its members, will try to buy the same products.

Family:

The family is maybe the most influencing factor for an individual. It forms an environment of socialization in which an individual will evolve, shape his personality, and acquire values. But also develop attitudes and opinions on various subjects such as politics, society, social relations or himself and his desires.

But also on his consumer habits, his perception of brands and the products he buys.

We all kept, for many of us and for some products and brands, the same buying habits and consumption patterns that the ones we had known in our family.

Perceptions and family habits generally have a strong influence on the consumer buying behavior. People will tend to keep the same as those acquired with their families.

Historical perspective

The retail industry emerged in the US in the eighteenth century, restricted to general stores. Specialty stores were developed only in those areas that had a population of above 5,000.

Supermarkets flourished in the US and Canada with the growth of suburbs after World War II. The modern retail industry is booming across the world. Revenues from retail sales in the US alone stood at $4.48 trillion in 2007, according to a report by the US Census Bureau.

Role of retailing:

1. Destination

The retailer uses the destination category to take a leadership role in the market. The destination category communicates the retailer‘s commitment to meet the specific needs of consumers. It delivers consistent superior value to target shoppers and is used to define the target consumer image of the retailer for the market. For example, a store might want to be known as the preferred destination for ready-to-eat meal solutions. Their deli would then be well stocked with a wide variety of prepared meals and side dishes. The destination category draws shoppers to the store where they can do the rest of their shopping when they come in for dinner.

2. Routine

The routine category is designed to assist in building the target consumers' image of the retailer. A routine category serves as a link between the retailer and the consumer. This would include most of the "routine" items consumers typically put on their shopping list.

3. Preferred routine

The preferred routine role for a category is used to help define the retailer as the preferred choice by delivering consistent superior value to the target consumer. This is the trusted retailer that consumers go to when they try to fill specific needs—for instance, one that's committed to having best-quality produce in the market. Produce is a routine purchase for consumers, but produce selection can vary greatly by retailer. Natural stores can differentiate themselves by offering the best local and regional produce in the market.

4. Seasonal/occasional

A seasonal/occasional role for a category is focused on specific events—the floral department for Mother‘s Day. Retailers typically place a great deal of emphasis on the floral department on Mother's Day by increasing their selection, inventory and gift ideas.

5. Convenience

The convenience role is geared toward filling impulse needs. This category strategy typically plays an important role delivering profit and margin enhancement through items like the ready-to-eat meals in the deli and the chilled single serve beverages at the checkout lines.

Trends in Retailing:

The Retail Industry is changing rapidly due to various reasons

1. Spatial convenience: Number of working women has fuelled an intense demand for convenience. The quest for convenience on the part of consumers is shown by
   - frantic growth of convenience store fuelled by the entry of Petroleum marketers AM/PM store
   - Exploding Popularity of online shopping operators
   - Diversification of vending machine into food /clothing and videotapes.
2. Increased power of retailer: At one time, Colgate dominated retailers. Now the retailers tend to dominate them. The reasons for this reversal are many. Retailers have many new products from which to choose when deciding what to stock on their shelves. Further the IT has diffused throughout retailing to such an extent that virtually all major retailer can capture item-by-item data via scanning devices at that electronic point of sale terminal. This knowledge of information has permitted retailers to calculate the (DPP) Direct Portfolio of Individual Items, track what moves and what does not move well in their stores. So the Manufacturers struggled to get space in the shelves of retailers. They offer Pricing concession, slotting allowance etc., to promote products.
3. Growing Diversity of Retail formats:

Consumers can now purchase same merchandise from wide variety of retailers. They are Dept. store, speciality store, convenience store, category killer, Mass merchandiser, Hypermarket.

- Mom and Pop Stores and Traditional Kirana stores: A small independent store across product categories is very common retail format in India. Particularly in small townships
- E- commerce: The amount of retail business conducted on the Internet is growing every year. Companies like Amazon. Com and First and second.com which helped pioneer the retail e-commerce. Fabmart.com
- Department store with varied merchandising operations.

- Franchise: Territory rights are also sold to franchisees. Various distribution and other services are provided by contract to franchisees for fee. Ex. McDonalds, Blockbuster Video
- Warehouse club- wholesale club: Appeal is to price conscious shopper. Size is 60000 sq. ft. or more. Product selection is limited and products are usually sold in bulk size.
- Mail order catalog: Non-store selling through the use of literature sent to potential customer. Usually has a central distribution centre for receiving and shipping direct to the customer.
- Speciality Discounter –Category killer:

Offers merchandise in one line (e.g. sporting goods, office supplies; children merchandise) with great depth of product selection at discounted prices. Stores usually range in size from 50,000 to 75000 square feet.

Emergence of region specific formats: In deptl store format, while most A class cites and metros have larger stores of 50000 sq ft sizes, stores in B Class towns have stabilized in the 25000- 35,000 sq. feet range. Most players have started operating these 2 formats across various cities, which has helped them to standardise the merchandise offering across the chain.

Entry of International Players: A large no. of international players has evinced interest in India despite the absence of favourable government policies.

Mall Development: Modern malls made their entry into India in the late 1990s with the establishment of cross roads in Mumbai and Ansal Plaza in Delhi. According to a market estimates, close to 10mn sq. feet of mall space is being developed across several cities in the country.

FDI in Retail:

FDI in retail industry means that foreign companies in certain categories can sell products through their own retail shop in the country. At present, foreign direct investment (FDI) in pure retailing is not permitted under Indian law.

Government of India has allowed FDI in retail of specific brand of products. Following this, foreign companies in certain categories can sell products through their own retail shops in the country. India's retail industry is estimated to be worth approximately US$411.28 billion and is still growing, expected to reach US$804.06 billion in 2015.

As part of the economic liberalization process set in place by the Industrial Policy of 1991, the Indian government has opened the retail sector to FDI slowly through a series of steps: 1995: World Trade Organization's General Agreement on Trade in Services, which includes both wholesale and retailing services, came into effect.

1997: FDI in cash and carry (wholesale) with 100% rights allowed under the government approval route.

2006: FDI in cash and carry (wholesale) brought under the automatic route. Up to 51 percent investment in a single-brand retail outlet permitted.

2011: 100% FDI in single brand retail permitted. The Indian government removed the 51 percent cap on FDI into single-brand retail outlets in December 2011,and opened the market fully to foreign investors by permitting 100 percent foreign investment in this area. Government has also made some, albeit limited, progress in allowing multi-brand retailing, which has so far been prohibited in India. At present, this is restricted to 49 percent foreign equity participation. The spectre of large supermarket brands displacing traditional Indian mom-and-pop stores is a hot political issue in India, and the progress and development of the newly liberalized single-brand retail industry will be watched with some keen eyes as concerns further possible liberalization in the multi-brand sector.

FDI IN SINGLE-BRAND RETAIL

While the precise meaning of single-brand retail has not been clearly defined in any Indian government circular or notification, single-brand retail generally refers to the selling of goods under a single brand name.

Up to 100 percent FDI is permissible in single-brand retail, subject to the Foreign Investment Promotion Board (FIPB) sanctions and conditions mentioned in press Note. These conditions stipulate that: Only single-brand products are sold (i.e. sale of multi-brand goods is not allowed, even if produced by the same manufacturer).Products are sold under the same brand internationally.

Single-brand products include only those identified during manufacturing. Any additional product categories to be sold under single-brand retail must first receive additional government approval FDI in single-brand retail implies that a retail store with foreign investment can only sell one brand.

For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand. For Adidas to sell products under the Reebok brand, which it owns, separate government permission is required and (if permission is granted) Reebok products must then be sold in separate retail outlet.

FDI IN ―MULTI-BRAND‖ RETAIL

While the government of India has also not clearly defined the term ―multi-brand retail,‖ FDI in multi-brand retail generally refers to selling multiple brands under one roof. Currently, this sector is limited to a maximum of 49 percent foreign equity participation. These are positive steps and it will encourage international brands to set up shop in India. On the other hand, this will also lead to competition among Indian players. It will be the consumers who stand to gain," This would not change the market dynamics immediately as it will take some time for these plans to fructify

Problems of Indian retailing:

1. Global economic slowdown impacting consumer demand

The current contraction in overall growth has not been so severe ever since the one witnessed during World War II. The sub prime-triggered crisis in the US during end of 2007 gradually spread across other parts of the world; as a the fallout of this crisis, credit availability dropped sharply in advanced economies and their GDP growth contracted incessantly during the last quarter of 2008. the financial crisis continued to trouble advanced and developing economies in spite of policymakers‘ attempts to replenish liquidity in these markets. Many financial institutions collapsed and filed for bankruptcy, as the situation got from bad to worse. Many banks/institutions made massive write-downs following this turn of events. During 2007-10, the write-downs on global exposures are expected to be worth US$ 4 trillion while the write downs on the US-originated assets alone are likely to be worth US$ 2.7 trillion11. Such massive write-down will affect the financial system to a grave extent, as it is likely to further strain banks‘ funding capabilities. Already these write-downs are turning into a major challenge for banks/financial institutions because of solvency issues, and deepening risk of failure of banks/ financial institutions. Failure of the US investment bank Lehman Brothers, for instance, has had an enormous impact on the overall global financial system, and has consequently shaken the confidence of banks, investors, households etc.

2. Consumption declines in the advanced economies

Private consumption expenditure is an important indicator of overall economic growth. In the last couple of quarters, the decline in consumption has further affected the global economic downturn. Moreover, widespread financial crisis severely hit credit availability and household disposable income. For instance, US households lost 20% (US$ 13 trillion)14 of their net worth as a percentage of disposable income from the second quarter of 2007 to the fourth quarter of 2008. The stock prices across the world started falling during the second quarter of 2007 and continued its losses throughout 2008; the global stock market lost between 40-60% in dollar terms that translated to a huge loss of global wealth in 2008. The personal disposable income (at current prices) in the US registered negative growth (3.9% and 2.1%) during the last two quarters of 2008, respectively. The consumer demand situation was aggravated further by reduced capital availability and consequent fall in investments.

3. Competition from the unorganised sector

Organised retailers face immense competition from the unorganised retailers or kirana stores (mom-and-pop stores) that generally cater to the customers within their neighbourhood. The unorganised retail sector constitutes over 94% of India‘s total retail sector and thus, poses a serious hurdle for organised retailers. If put numerically, the organised retailers are facing stiff competition from over 13 million kirana stores that offer personalised services such as direct credit to customers, free home delivery services, APART from the loyalty benefits. During the current economic slowdown, the traditional kirana stores adopted various measures to retain their customers, which directly affected organised retailers. Generally, it has been observed that customers shop impulsively and end up spending more than what they need at organised retail outlets; however, in kirana stores, they stick to their needs because of the limited variety. During a downturn, many customers may not like to spend more as is evident from the past few months‘ trend that shoppers are increasingly switching from organised retail stores to kiranas.

4. Retail sector yet to be recognised as an industry

The retail sector is not recognised as an industry by the government even though it is the second-largest employer after agriculture. Lack of recognition as an industry affects the retail sector in the following ways:

- Due to the lack of established lending norms and consequent delay in financing activity, the existing and new players have lesser access to credit, which affects their growth and expansion plans
- The absence of a single nodal agency leads to chaos, as retailers have to oblige to multiple authorities to get clearances and for regular operations

5. High real-estate costs

Even though the real estate prices have subsided recently due to the slowdown in economies and the financial crises, these prices are expected to go up again in the near future. Presently the sector faces high stamp duties, pro-tenancy acts, the rigid Urban Land Ceiling Act and the Rent Control Act and time-consuming legal processes, which causes delays in opening stores.

Earlier on the lease or rents on properties were very high (among the highest in the world) at some prominent locations in major cities. The profitability of retail companies were affected severely because real costs constituted a major part of their operating expenses. Now companies are moving out from prominent malls of tier I cities and are re-negotiating the rental agreements with landlords to reduce costs. Some are even focussing on setting up shops in tier II and tier III cities.

6. Lack of basic infrastructure

Poor roads and lack of cold chain infrastructure hampers the development of food retail in India. The existing players have to invest substantial amounts of money and time in building a cold-chain network.

7. Supply-chain inefficiencies

Supply chain needs to be efficiently-managed because it has a direct impact on the company‘s bottom lines. Presently the Indian organised retail has an efficient supply chain but it appears efficient only when compared with the unorganised sector. On an international level the Indian organised retailers fall short of international retailers like Wal-Mart and Carrefour in terms of efficiencies in supply chain. In the following paragraphs some key challenges that the retailers face during procuring goods from suppliers to delivering the same to end-customers are discussed.

8. Challenges with respect to human resources

The Indian organised retail players shell out more than 7% of sales towards personnel costs. The high HR costs are essentially the costs incurred on training employees as there is a severe scarcity for skilled labour in India. The retail industry faces attrition rates as high as 50%, which is high when compared to other sectors also. Changes in career path, employee benefits offered by competitors of similar industries, flexible and better working hours and conditions contribute to the high attrition.

9. Shrinkage

Retail shrinkage is the difference between the book value of stock and the actual stock or the unaccounted loss of retail goods. These losses include theft by employees, administrative errors, shoplifting by customers or vendor fraud. According to industry estimates, nearly 3-4% of the Indian chain‘s turnover is lost on account of shrinkage. The organised industry players have invested IT, CCTV and antennas to overcome the problem of shrinkage.

Module – 2

Theories of Retailing

1. THEORY OF WHEEL OF RETAILING

The theory was given by Malcolm P. McNair.One of the well accepted theories regarding institutional changes in retailing. This theory states that in a retail institution changes takes place in a cyclical manner.

The cycle is: the new retailer often enters the market with a low status, low profit margin, and low price store formats. Later they move to up market locations and stock premium products to differentiate themselves from imitators. Eventually they mature as high cost, high price retailers, vulnerable to new retailers who come up with some other novel retailing format/concept. This same retailer will in turn go through the same cycle of retail development.

The cycle can be broadly classified into three phases:

- Entry Phase
- Trading up phase
- Vulnerability Phase

ENTRY PHASE

The new, innovative retailer enters the market with a low status and low price store format. Starts with a small store that offers goods at low prices or goods of high demand. This would attract the customers from more established competitors. Tries to keep the costs at minimum by offering only minimal service to customers, maintaining a modest shopping atmosphere, locating the store in a low rent area and offering a limited product mix. Success and market acceptance of the new retailer will force the established to imitate the changes in retailing made by the new entrant. This would force the new entrant to differentiate its products through the process of trading up.

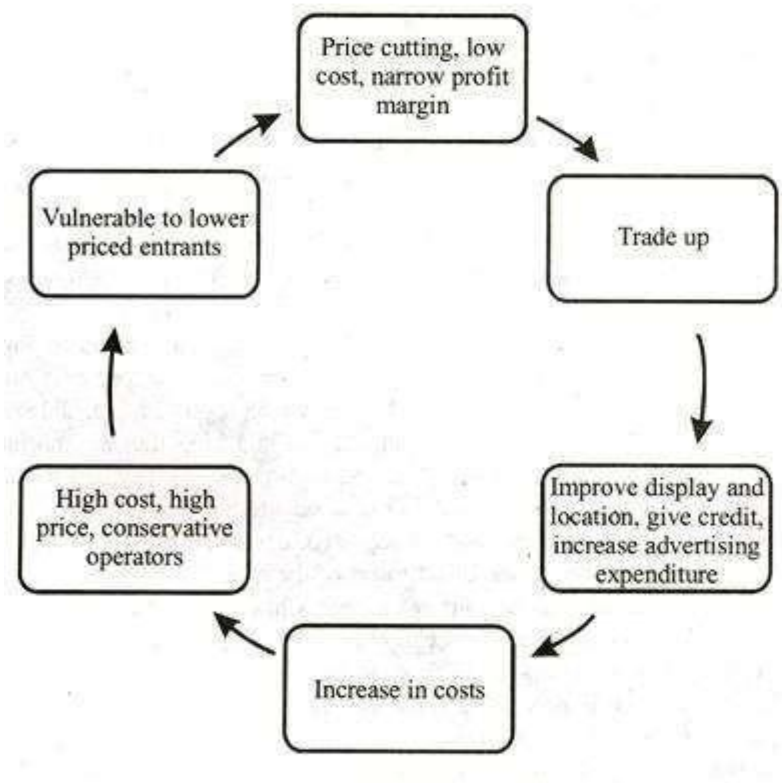
TRADING UP PHASE

New retailer tries to make elaborate changes in the external structure of the store through up gradation. Retailer will now reposition itself by offering maximum customer service ,a posh shopping atmosphere , and relocating to high cost area(as per the convenience of the customers).Thus in this process the new entrant will mature to a higher status and higher price operation . This will increase the cost of the retailer. The innovative institution will metamorphose into a traditional retail institution. This will lead to vulnerability phase.

VULNERABILITY PHASE

The innovative store will have to deal with high costs, conservatism and a fall on ROI. Thus, the innovative store matures into an established firm and becomes vulnerable to the new innovator who enters the market. Entry of the new innovator marks the end of the cycle and beginning of the new cycle into the industry.

Example Of this theory – kirana stores were replaced by the chain stores like Apna Bazar and Food World (new entrant) which in turn faced severe competition from supermarkets and hypermarkets like Big Bazaar and Giant.



Wheel of Retailing

2. THE RETAIL ACCORDION THEORY:

Hollander (1966) proposed the Retail Accordion theory, which explained retail evolution as a cyclical trend in terms of the number of merchandise categories (i.e., product assortment). In this theory, at the beginning of operation, a retail institution carries a broad assortment of but does not carry a deep assortment (i.e., various styles within one product classification).

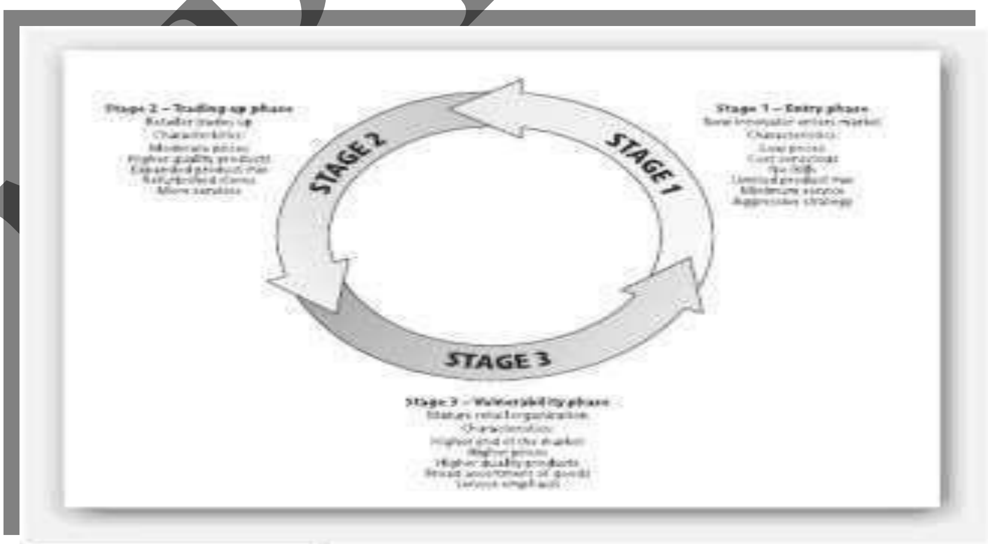
At this early stage, the retail institution is a general store. As time passes, the retail institution becomes specialized by carrying a limited line of merchandise with a deep assortment. At this point, the retail institution is a specialty store.

The theory suggests that retail institutions go from outlets with wide assortments to specialized narrow line store merchants and then back again to the more general wide assortment institution. It is also referred to as the general-specific-general theory.

3. THE MELTING POT THEORY:

Also called ―Dialectic Process‖. A new value proposition by one retailer gives rise to two new retailers with the same proposition. Retail firms adapt mutually to the emerging competition and tend to adopt the plans and strategies of the opposition.

The theory was proposed by Thomas J. Maronick and Bruce J. Walker. Two institutional forms with different advantages modify their formats with different advantages modify their formats till they develop a format that combines the advantages of both formats. This model implies that retailers mutually adapt in the face of competition from _opposites‘. Thus when challenged by a competitor with a differential advantage, an established institution will adopt strategies and tactics in the direction of that advantage, thereby negating some of the innovator‘s attraction the innovator over time tends to upgrade or otherwise modify products and institutions. In doing so he moves towards the negated institution. As a result of mutual adaptation the two retailers gradually move together in terms of offerings, facilities, supplementary devices and prices. Thus they become indistinguishable or at least quite similar and constitute a new retail institution termed the synthesis. The new institution is vulnerable to negation by new competitors as the dialectic process begins anew.



4. POLARIZATION THEORY

This theory suggests that, in a longer term, the industry consists of mostly large and small size retailers. The medium size becomes unviable. This is called polarization. Large stores offer one stop shopping. The smaller ones tend to offer limited range of products, but add value to their offers with other services. It is found that firms tend to be more profitable when they are either small in size or big. The medium ones fall into the ―Bermuda Triangle‖

Module -3

Retailing strategy for setting up Retail organisation and planning

Retail market strategy:

- Retailing strategy outlines the mission & vision
- It is a systematic plan which provides the retailers overall framework for dealing with its competitors, technological and international movements.
- Strategic management actually is of recent origin as far as retailing is concerned.
- Retailing strategy sets the tone for creating sustainable competitive advantage through the optimization of available resources.

Strategic retail planning process:

Step 1: Define the business mission

Mission statement-broad description of a retailer's objectives and the scope of activities it plans to undertake.

1. What business are we in?
2. What should our business be in the future?
3. Who are our customers?
4. What are our capabilities?
5. What do we want to accomplish?

Step 2: Conduct a Situation Audit

Situation Audit-and analysis of the opportunities and threats in the retail environment and the strengths and weaknesses of the retail business relative to its competitors

Market Factors

• Market size – large markets attractive to large retail firms

• Growing markets – typically more attractive than mature or declining

• Business cycles – retail markets can be affected by economic conditions – military base towns

• Seasonality – can be an issue as resources are necessary during peak season only

Competitive Factors Barriers to Entry Bargaining Power of Competitive Large Vendors Rivalry Customers Threat of Substitution

Environmental Factors

• Questions for analyzing

• New developments or changes -- technologies, regulations, social factors, economic conditions

• Likelihood changes will occur

• Key factors determining change

• Impact of change on retail market and competitors

Strength and Weakness Analysis

• Indicates how well that business can seize opportunities and avoid harm from threats in the environment

Management Capability:

Capabilities and experience of top management Depth of Management--capabilities of middle management Management's commitment to firm financial Resources: Cash flow from existing business Ability to raise debt or equity financing Operations: Store Management Capabilities Overhead cost structure Management capabilities Quality of operating systems Quality of sales associates Distribution capabilities Commitment of sales associates to firm Management information systems Loss prevention systems Locations Inventory control system Merchandising Capabilities: Knowledge and skills of buyers Customers Relationships with vendors Loyalty of customers Capabilities in developing private capabilities

Step 3: Identify Strategic Opportunities

• After completing the situation audit, the next step is to identify opportunities for increasing retail sales.

Step 4: Evaluate Strategic Opportunities

• Evaluate opportunities that have been identifies in the situation audit the evaluation determines the retailer‘s potential to establish a sustainable competitive advantage and reap long-term profits from the opportunities being evaluated.

Step 5: Establish Specific Objectives and Allocate Resources

• Establish a specific objective for each opportunity

• Three components:

1. Performance sought Included a numerical index which progress may be measured

2. Time frame within which the goal is to be achieved

3. Level of investment needed to achieve the objective

Step 6: Develop a Retail Mix to Implement Strategy

Develop a retail mix for each opportunity in which an Investment will be made and control and evaluate performance

Step 7: Evaluate Performance and Make Adjustments

• Evaluate the results of the strategy and implementation program

• If the retailer is meeting or exceeding its objective changes aren‘t needed but if the retailer fails to meet its objective, reanalysis is required

• The conclusion would result in starting a new planning process, including a new situation audit

Financial strategy:

- Finance is the backbone of any successful business, retiling is not an exception
- Be it manufacturing, whole selling or even retailing, without finance no business can survive for long.
- Retail firm requires finance to run their business and meet day to day requirements.

- For the success of a business, there should be continuous movements of funds in and outside the firm.

Retail Cash Flow Management

- It is the procedure of monitoring, analyzing, and adjusting the cash flow that comes through selling merchandise.
- For retail business managing cash is to avoid shortage of cash
- The larger the gap, chances are of failure
- Optimum balance is required
- Thus, effective cash flow management is imperative at all stages

A retail firm may be profitable one as per financial statements but in actual it is unable to pay the bills on time

Budget and Budgetary Control

- **Retail Budget**: A retail budget is a financial plan or blue print of overall financial transactions that shows how the resource will be acquired and used over a period of time.
- **Budgetary Control**: It is the use of budgets as a means of controlling financial activities.
- **Budgeting**: Budgeting refers to the management's action of formulating budgets to facilitate various departments to operate efficiently and economically.

Income Statement

- It is the statement of the profit earned or loss incurred during an accounting year, usually a month, a quarter, or a year.
- This represents a summary of a retailer's revenues and expenses over a particular period of time such as April1, 2010 to March 31, 2011.
- A profit or loss account or an income statement has the following components:
  - **Net Sales**

- **Cost of Goods Sold**
- **Gross Margin**
- **Operating Expenses**
- **Net Profit**

Asset Management

- Each retailer has assets to manage and liabilities to control.
- It is the retailer's ability and efficiency how effectively he manages the inputs and outputs.
- Balance sheet is a statement that reports the values owned by the retail firm and the claims of the creditors and owners against these properties.
- In an organization, balance sheet is known by different titles (name). These are:
  - Statement of assets and liabilities
  - Statement of resources and liabilities
  - Statement of financial position
  - Statement of financial soundness
  - Statement of assets, liabilities and owners fund etc
  - Balance sheet/ General balance sheet
  - Statement of stocks/position

Site and locations:

Retail Location:

Location is the most important ingredient for any business that relies on customers. It is also one of the most difficult to plan for completely. Location decisions can be complex, costs can be quite high, there is often little flexibility once a location has been chosen and the attribute of location have a strong importance on retailers overall strategy.

Importance of Location Decision:

Location is a major cost factor because it:

- Involves large capital investment
- Affects transportation cost
- Affects human resources

Location is major revenue factor because it

- Affects the amount of customer traffic
- Affect the volume of business

A location decision is influenced by the flow of pedestrian and vehicular traffic, which determine the footfalls in a retail store. Footfalls refer to the no. of customers who visit a store in a defined time period.

Levels of Location Decision and its Determining Factors:

1. <u>Selection of a city:</u>

Factors to be considered for selection of a city:

- Size of the city's trading area: A city's trading are is the geographic region from which customers come to the city for shopping. A city's trading area would comprise it suburbs as well as neighbouring cities and towns. Cities like Mumbai and Delhi have a large trading are as they draw customers from far off cities and towns.
- Population or population growth in the trading area: A high growth in population in the trading area can also increase the retail potential.
- Total purchasing power and its distribution: Cities with a large population of affluent and upper middle class customers can be a attractive location for stores selling high priced purchasing power and its distribution among a large base of middle class is contribution to a retailing boom around major cities in India.
- Total retail trade potential for different lines of trade: A city may become specialize in certain lines of trade. Moradabad has become important location for brassware products, Mysore-silks.
- The retailer also consider, number, size, quality of competition before selecting a city.
- Development cost

Margin Free Market, the Kerala based retail chain (grocery and toiletry product targeted middle and lower class) located 250 stores in small towns in Kerala.

II. <u>Selection of an Area or Type of Location within a city.</u>

Evaluation of the following factors required:

- Customer attraction power of a shopping district or a particular store(commercial street-Bangalore, Chandni Chowk in Delhi)
- Product lines carried by other stores, number of stores in the area.
- Availability of access routes- There should not be traffic jam and congestion
- Nature of zoning regulations: Retailers should examine the plans of zoning commissions and municipal corporations regarding the development of shopping centres, residential areas, flyovers.
- Direction of the spread of the city. For ex. Mumbai‘s subarbs and Navi Mumbai are growing at a fast rate

III. Selection of a specific Site:

1. Adequacy and potential of traffic passing the site: The volume of vehicular traffic and pedestrian shoppers who pass by the specific site shoud be assessed since they represent the potential customers.
2. Ability of the site to intercept the traffic following past the site. The vehicular or pedestrian traffic moving past the site would be attracted only if it represents the segment the store is targeting.
3. Complementary nature of adjacent stores: a store selling school uniforms would have greater potential if adjacent stores sell school books, stationary etc.

Type of Retail Location:

1. Free standing location:

Where there is no other retail outlets in the vicinity of the store and therefore depend on its own pulling power and promotion. Dhabas on highways.

2. Neighbourhood stores:

Located in residential neighbourhoods and serve a small locality. They sell convenience products like groceries.

3. Highway stores:

Located along highways or at the intersections of two highways and attract customers passing through these highways. Fast food restaurants, Dhabas with good parking facilities.

4. Business associated location:

These are locations where a group of retail outlets offering a variety of merchandise work together to attract customers to their retail area but also compete against each other for the same customers.

<u>This can further be classified into two:</u>

a) Unplanned business districts

An unplanned business district is a type of retail location where two or more retail stores locate together on individual consideration rather than on the basis on any long-rang collective planning. We may find 4-5 shoe stores, 3-4 medical stores in a cluster, but no grocery store. Connaught place in New Delhi

i) Downtown or central Business District: A CBD usually has a trade area that varies according to the size of the city or town. CBD s in major metro like Delhi, Mumbai even draw customers from far off places. In major metros like Delhi and Mumbai we find two or more CBD‘s each serving different segments. Commercial street-Bangalore, Chikpet in Bangalore Chandni chowk –Delhi.

ii) Secondary Business District: They are composed of an unplanned cluster of stores often located on a major intersection of a city. Koramangala in Bangalore.

iii) Neighbourhood Business District: Stores located in Neighbourhood business district form a small cluster and serve neighbourhood trading area. (Cities and towns)

iv) Suburban business District: Stores located on the town‘s periphery have lower rents, often rely on traffic generated by the downtown and may sometimes offer parking facilities. The malls in Gurgaon near Delhi are good examples.

b) Planned Shopping Centers

A planned shopping centre consists of a group of architecturally owned or managed stores, designed and operated as a unit, based on balanced tendency and surrounded by parking facilities.

<u>Regional shopping centre malls</u>:

Regional shopping centres or malls are the largest planned shopping cantered; often they are anchored by two or more major department stores, have enclosed malls, serve a large trading area and have high rents.(cross roads in Mumbai, Ansal Plaza in Delhi, Spencer Plaza in Chennai, Metropolitan Mall in Gurgaon.

<u>Neighbourhood/community Shopping centre</u>:

Usually have a balanced mix of stores including a few grocery stores a chemist, a variety store, and a few other stores.

Specialized Markets: In India most of the cities have specialized market famous for a particular product category. For ex: Chennai- Go down street is famous for clothes, Usman street for jewellery, T. Nagar for readymade garments.

<u>Periodic Markets</u>: Another peculiar type of market found in India is the periodic market, which is established at particular places on a particular day in a week. Most of these markets

operate in evening hours. These markets are mostly associated with the name of the day it is held on.

Type of consumer Goods and location Decision:

1. Convenience Goods –low price, purchased frequently- convenience stores located in central business districts, such as low priced, ready to wear have a limited mobility to generate their own traffic. eg. *Subhiksha has an expansion strategy of setting up one outlet within every 3-4 km.*
2. Shopping Goods- involve more intensive selling effort – suits, automobiles and furniture- *shoppers stop and Westside prefers to locate in Central business districts or major secondary business districts.*
3. Speciality Goods- imply products with high unit price, brought infrequently, require special effort – may use isolated locations because they generate consumer traffic.

Trading Area:

A trade area is a contiguous geographic area from which a retailer draws customers that account for the majority of a store‘s sales. A trade area may a part of a city, or it can extend beyond the city‘s boundaries. A trade area can be divided into 2 or 3 zones.

Trade Area Analysis: It is necessary to estimate market potential, understand consumer profile, competition etc. GIS (Geographical Information System – combine digitized mapping with key location data) used for this purpose. A saturated trade area offers customers a wide variety of merchandise, which also ensures impressive profits for retailers in the market.

Site Selection Analysis: A retailer has to consider the following factors while selecting a site.

1. kind of products sold:

   *convenience goods – quality of traffic most important – large window display area is usually a better site.

   * Shopping Goods – quality of traffic most important-The emergence of several apparel factory outlet within a short stretch on the on the Delhi Jaipur highway is driven by this factor

   * Speciality Goods- may desire to locate close to the shopping goods store.

2. Cost Factor in Location Decision: Traditionally retail community own the place. Space cost (combination of rent, utilities, leasehold improvements, general decoration, security, insurance, and all the related cost of having a place to conduct business operation) is important factor.

3. Competitor location: Intense competition in the area shows that new businesses will have to divide the market with existing business.

4. Ease of traffic flow and accessibility (studying flow of traffic, nothing one way street, street widths, and parking lots)

5. Parking and Major Thoroughfares: The way parking lot is laid out, the direction of the travel lanes and spaces, landscaping. The ideal ratio for food stores is in the magnitude of 7-8 cars per 1000 square feet of food store.

6. Market Trends: Discussions with the business owners and officials are a good source of information. Make use of information available through the chamber of commerce.

7. Visibility: It is important when a shopper is trying to find the store for the first or second time. The question relevant to this factor is: who will be the store‘s neighbour, what will be their effect on store sales, how much space is needed.

Selection of a particular shopping centre or Market Area:

The following consideration influence the selection of a particular shopping centre:
1. Merchants‘ Association: can strengthen business and save money through group advertising, insurance plans and collective security measures.

2. Responsiveness of the landlord: Prospective retailers expect landlord‘s acknowledgement on the following issues: placement and size of signs, maintenance and repairs, and the adjacent retail space.

3. Zoning and planning: The zoning commission will provide the latest ―mapping‖ of the retail location and surrounding area under consideration. Are there restrictions that will limit operation; - will construction or changes in city traffic or new highways present barriers.

4. Leases: Before entering into any lease agreement, retailers should collect information on future zoning plans and decide how long it will be viable to run business at a particular location.

5. Building Layout: Age and condition of the building, adequacy of all mechanical system, remodelling needs, storage availability, security needs, restrictions on alterations and improvements to the property.

Location Assessment Procedures:

To determine the best possible retail location for the prospective retail outlet.

1. Checklist Analysis: simple framework regarding geo-demographics, shopping behaviour, competition, cost and accessibility to the particular site.
2. Analogue Analysis: It attempts to predict the economic performance of a particular site by assessing its potential against the already running stores.
3. Financial analysis: regarding development and operation of an outlet, comparing the development cost, capital investment on site, building and variable cost against expected returns.
4. Regression Modelling: developed around a no. of determinants such as demographics, accessibility, competitive environment, trade area characteristics, to estimate the potential turnover of the prospective outlet.
5. Retail Area Development: There are 4 important interest groups that can work individually and in partnership to overcome challenges and obstacles in the

development of new retail markets. 1. Public 2.Developers 3. The Government 4. Retailers.

Objectives of good store design:

1 Implement the retailers‘ strategy

Primary objective: to implement retailers strategy • Design- consistent and reinforce the retailers strategy by meeting the needs of the target market and building a competitive advantage.

E.g. Sam`s-price sensitive- floor design and racks – metal and concrete to reinforce the brand image • Flooring and shelving also affect retailer‘s image: glass-elegance

2 Influence the customer buying behavior

Store design- should attract customers, enable them to locate merchandise, keep them in the store for as long time, motivate them to make unplanned, impulse purchase and provide them with a satisfied customer experience. Buying behavior-influences store design: rise in nuclear families-limited time

E.g. P&G: ―first moment of truth‖- first 3-7 seconds, customer notices an item on the store shelf. Mkt research – customers do not walk down one aisle and up the next. Park at the end of aisle-walk partway to pick the product and return to the cart. Hence puts its best selling brands at the middle of the aisle

3 Provide flexibility

Dynamic business- what may work today may not be applicable tomorrow- need to change the merchandise mix- need to change layout, attempt to design stores with max flexibility. Two forms: ability to physically move and store the components, and the ease with which components can be modified ex. Book stores

4 Control design and maintenance costs

Cost of implementing the store design and maintain the store appearance, Free form design – can encourage the customers to explore and increase sales • More lighting- expensive jewellery and other merchandise • Good lighting- can make the merchandise look better and increase sales • Store design – affect labour costs- traditional dept stores with diff depts. – comfortable shopping, but require one person constantly to provide service

5 Meet legal requirements

The store design should fully comply with the standards set by civic authorities.

Human Resource Management:

- HRM includes recruitment and selection of appropriate employees at various levels.
- The main objective of HRM is to help an organization to meet its strategic goals by attracting, maintaining and managing them.
- HRM basically is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training.

Objectives of HRM in Retailing

- To serve as standards against which performance is evaluated.
- To promote harmony among human efforts & voluntary co-operation.
- To fulfill the demand of retail industry.
- To boost up survival-integrated activities such as employees‘ recruitment, selection, induction, training and development, supervision and compensation in the organization.
- Right person at right position

HR Functions in Retailing

1. Job analysis and job design
2. Recruitment and selection of retail employees
3. Employees‘ training and development
4. Performance management
5. Compensation and benefits
6. Labor relations
7. Managerial relations

Supply chain management and logistics

- It is a network of retailers, distributors, transporters, storage facilities, and suppliers that take part in the production, delivery, and sale of a product that convert and move the goods from raw materials to end users.
- It describes the processes and people involved in converting and conveying the goods from raw materials to end consumers.

- The activities close to the raw material stage are known as ***upstream activities*** and activities between the manufacturer and end consumer are ***downstream activities***.

Parts of a Supply Chain

1. **Supply:** It focuses on the raw materials supplied to manufacturing, including how, when, and from what location.
2. **Manufacturing:** It focuses on converting these raw materials into finished products.
3. **Distribution:** It focuses on ensuring these products reach the consumers through an organized network of distributors, warehouses, and retailers.

Objectives of SCM

- To provide an uninterrupted flow of goods and services.
- To meet quality criteria.
- To reduce the inventory investment to the extent possible.
- To offer high customer service, low inventory management and low unit cost.
- To ensure quick responsiveness to the customer changes.
- To select and maintain competent suppliers.

Components of Retail Supply Chain Management

- Planning
- Source
- Procurement
- Sell
- Return/Exchange

Information systems in retailing:

Radio frequency identification or RFID

Is a new tracking technology that involves small tags that emit distinct signals. Retail business owners can use remote scanners to read RFID tags placed on individual products, enabling them to record a variety of information, including quantities of various stock items and their precise locations.

Benefits of RFID:

1. Inventory Shrinkage (Shrink) Reduction

• Track retail items between point of manufacture or purchase from supplier and point of sale.

• Real-time notification of security when RFID tagged items leave area without payment

• Competitive advantage – saving money on theft allows to offer product at lower prices

2. RFID Smart Labelling

• Monitor unattended inventory

• Automatic item identification on mixed pallets

• "Smart Shelf" systems – designed to provide real time tracking and locating of tagged items on shelves

• Shipping and Receiving applications _

3. Shelf Stocking

• Real-time notification of out-of –stock items

• Improvement of product replenishment

• Retention of consumers who may turn to competitors if inventory item is out-of-stock

• Automated charting and tracking for improved product forecasting

4. Check-out Process

• Reduce time spent in line

• Reduce labour/time cost of employees

• Streamline check-out process with ability to scan multiple items and pay for them all at once

5. Overhead Reduction

• Track product shipping and receiving from point-to-point automatically versus manual tracking to save time and labour cost

• Know how many units of inventory or on-site via automated RFID system versus manual process, saving labour and time cost

• Efficiency in error reduction reduces manual labour cost

Module -4

Store management and Visual Merchandising

Store management:

Duties and Responsibilities of store manager:

- Management of employees
- Maintaining the sales environment
- Cost minimization
- Recruitment, Training and Development
- Budgeting and Forecasting
- Implementing Marketing plans
- Team Leadership
- Maintaining Leave and Salary Record
- Holding Inventory
- Extending Customer Services

Store security:

- Appointment of uniformed security
- Thorough check at entry and exit points
- Without uniformed security guards can be located in the store
- Use of TV cameras can be beneficial to catch the stealers
- Cash deposits in banks must be made frequently
- Brighter lighting should be arranged
- Coordination between all security personnel
- Access to storage areas and ware houses should be restricted

Store record and accounting system:

1. Store functions
2. Pricing of purchased material.
3. Pricing of store returned material.
4. Material received account.
5. Issue of material from store.

6. Physical verification of store stock.

1. Store functions:

Store functions will be supervised by different persons and will have separate sphere duties.

- Store Procurement
- Store Keeping
- Store Accounting

2. Pricing of purchased material.

- Local Purchases through Tender / Quotation.
- Purchase through Purchase Committee or through Petty advances.
- Material Transferred in/from other WAPDA formations.
- Foreign Material Purchase.

3. Pricing of store returned material.

- Un-used Material

  (Not needed now to be used in future).

- Defective / Damaged Material

  (To be used after repair).

- Scrape for disposal.

Material at site will be kept only for immediate use for the ongoing specific jobs. Otherwise, material returns to Store at month end through Store Return Warrant (SRW).

4. Material Received Account.

- 1st copy of SMB page attach with commercial invoice and process for making payment by the Accounts Section.

- 2nd copy of SMB page sent to Accounts Section along-with GST invoice for posting in the Stock Value Ledger and compiling GST input claim of the formation.
- 3rd copy of SMB page sent to Store Section for posting of receipt of material in the Stock Register along-with following documents.
  - Purchase order
  - Invoice
  - Bill of entry.
  - Inspection Certificate.
- 4th copy of SMB retain for office record. Based upon the office copy procurement Section will prepare list of all the SMBs recorded during the month and sent it to the Accounts Section and Store Section.

5. Issue of material from Store.

A. Issue of consumable material.

B. Issue of Spare Parts.

C. Issue of T&P

D. Issue of Store to other Formations.

E. Issue of Scrape for disposal.

6 Physical verification of Store Stock**.**

- The Procurement Section and Accounts Section will jointly carry out physical verification of the store stock items by classifying the material as follow: -
- The stock item having unit price of Rs.50,001 and above will be physically verified 100% in the month of June of each financial year as first preference,
- The stock items having unit price of Rs.5 000 to Rs.50,000 will be physically verified 100% in 2nd preference in June of each financial year,

- In 3rd preference the store items having unit price less than Rs. 5,000 will be physically verified at random basis during January to May of each financial year.
- The difference identified by the physical verification committee must be investigated by the authorized officer and adjustment (recovery or write-off) must be made at the end of financial year with the approval of competent authority as per Rules and Procedure.

Coding system:

A code system should have the following characteristics to be scientific and easily adoptable:

• Simple to use: easy to understand with minimum and /or no need for training,

• Flexible: ease to expand and accommodate more codes,

• Good formulation: adopted system should be able to be used in all functional areas in the entire organization.

Common Codification Systems

i. Alphabetical – the use of the letter of the alphabet as the basis e.g. Iron ore rep. I-O etc

ii. Numerical – the use of the numbers as the basis of the codes e.g. simple number 01, 02, or complex systems which combines ―/‖ – strokes or ―–― dashes e.g. 1-100, 2-200 etc

iii. Alpha-numeric – the combination of alphabets and numbers. This is the mixing of numbers and letters of the alphabets e.g. SP-11 etc 1

iv. Decimal – the use dash or stroke in the coding e.g. Main, Sub I, sub II an sub III e.g. 47.1.1 etc

v. Brisch – this is the use of numeric system. It combines numbers and decimals. E.g. 47.002

vi. Kodak – this originated by Eastman Kodak Co. of the USA. This system borrows all the good points from all other systems. It is much based on the numerical codification system and in the place of decimals hyphens are used in the Kodak System.

Marking of stores / materials:

This is another method of codification. There are two t ypes of marking of stores:

i. Color marking – this is used to supplement the other codification systems e.g. use of paint such as blue, red, aluminium etc

ii. Secret Marking – expensive stores items are highly susceptible to theft and pilferage. These are discreetly marked to help detect / identify from where they have been sold out. The secret marks are not easily visible.

Material handling in stores:

Material handling is an integral part of all retail stores and accounts for 10-20% of the total cost of the selling price. It is the way by which the goods of greater efficiency can be attained not only in stores but wherever materials can be moved either manually or with the help of slings, or other handling instruments. Material can also be moved by people using machines such as forklift trucks, and other lifting fixtures (mechanical lifting). It does not directly add value to the product but adds to the final cost.

Thus material handling function includes all types of movements within the retail stores. These materials are of various types, shapes and size. At each stage of selling materials are loaded and unloaded are travel widely inside the store moved. It is method for moving material.

Each handling task poses unique demands on the floor staff. However, workplaces can help store staff to perform these tasks safely and easily by implementing and upholding proper policies and procedures for minimum and automatic materials handling resulting in reduction in handling costs.

Manual material handling operations are carried out in most retail stores because the goods comparatively belong to FMCG sector and these are light in weight. But in case of electronics furniture/luxury retailing, manual lifting can spoil the goods/items meant for sale. As when these items collide with each other, they can create hazards that result in injuries.

Management of modern retail:

The more merchandise customers are exposed to that is presented in an orderly manner, the more they tend to buy. Retailers focusing more attention on in-store marketing – marketing dollars spent in the store, in the form of store design, merchandise presentation, visual displays, and in-store promotions, should lead to greater sales and profits (bottom line: it is easier to get a consumer in your store to buy more merchandise than planned than to get a new consumer to come into your store)

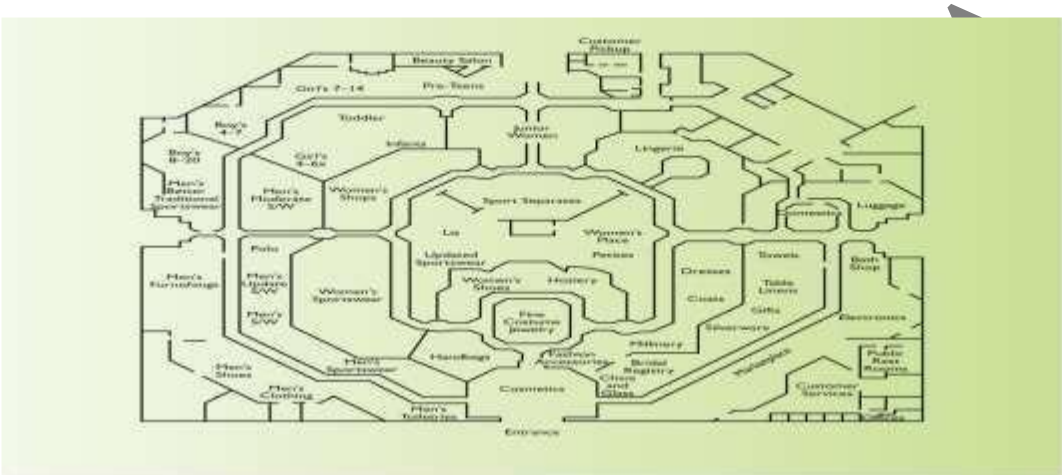
Types of store layout:

1. Grid (Straight) Design

- Best used in retail environments in which majority of customers shop the entire store
- Can be confusing and frustrating because it is difficult to see over the fixtures to other merchandise
- Should be employed carefully; forcing customers to back of large store may frustrate and cause them to look elsewhere
- Most familiar examples for supermarkets and drugstores

2. Curving/Loop (Racetrack) Design

- Major customer aisle(s) begins at entrance, loops through the store (usually in shape of circle, square or rectangle) and returns customer to front of store
- Exposes shoppers to the greatest possible amount of merchandise by encouraging browsing and cross-shopping



3. Free-Flow Layout

- Fixtures and merchandise grouped into free-flowing patterns on the sales floor – no defined traffic pattern
- Works best in small stores (under 5,000 square feet) in which customers wish to browse
- Works best when merchandise is of the same type, such as fashion apparel
- If there is a great variety of merchandise, fails to provide cues as to where one department stops and another starts

4. Spine Layout

- Variation of grid, loop and free-form layouts
- Based on single main aisle running from the front to the back of the store (transporting customers in both directions)
- On either side of spine, merchandise departments branch off toward the back or side walls
- Heavily used by medium-sized specialty stores ranging from 2,000 – 10,000 square feet

- In fashion stores the spine is often subtly offset by a change in floor coloring or surface and is not perceived as an aisle

Layout: external factors

- Size must be adequate to accommodate business needs.
- Appearance must create the proper image or ―personality‖ for the business in the customer‘s eyes.
- Entrances must *invite* customers to come in.
- Create effective window displays and change them often; they can be powerful sales tools.
- Must comply with Americans with Disabilities Act (ADA).

Pay attention to the business sign, the most direct method of reaching potential customers.

Building interiors

- *Ergonomics* is an integral part of any design.
- Proper layout and design pays off in higher productivity, efficiency, or sales.
- Proper lighting is measured by what is ideal for the job being done.
- Careful selection of colours can create the desired impressions among customers and employees.
- Appealing to *all* of the customer‘s senses can boost sales.

Visual merchandising:

The use and manipulation of attractive sales displays and retail floor plans to engage customers and boost sales activity. In visual merchandising, the products being sold are typically displayed in such as way as to attract consumers from the intended market by drawing attention to the product's best features and benefits.

Feature Areas

The areas within a store designed to get the customer‘s attention which include:

- End caps – displays located at the end of the aisles
- Promotional aisle/area

- Freestanding fixtures
- Windows
- Walls
- Point-of-sale (POS) displays/areas

Fixture Types

- Straight Rack – long pipe suspended with supports to the floor or attached to a wall
- Gondola – large base with a vertical spine or wall fitted with sockets or notches into which a variety of shelves, peg hooks, bins, baskets and other hardware can be inserted.
- Four-way Fixture – two crossbars that sit perpendicular to each other on a pedestal
- Round Rack – round fixture that sits on pedestal
- Other common fixtures: tables, large bins, flat-based decks_

Fixture Types

- Wall Fixtures: To make store‘s wall merchandisable, wall usually covered with a skin that is fitted with vertical columns of notches similar to those on a gondola, into which a variety of hardware can be inserted. Can be merchandised much higher than floor fixtures (max of 42‖ on floor for round racks on wall can be as high as 72‖.

Merchandise Display Planning

- Shelving – flexible, easy to maintain
- Hanging
- Pegging – small rods inserted into gondolas or wall systems – can be labor intensive to display/maintain but gives neat/orderly appearance
- Folding – for soft lines can be folded and stacked on shelves or tables - creates high fashion image
- Stacking – for large hardlines can be stacked on shelves, base decks of gondolas or flats – easy to maintain and gives image of high volume and low price
- Dumping – large quantities of small merchandise can be dumped into baskets or bins – highly effective for soft lines (socks, wash cloths) or hardlines (batteries, candy, grocery products) – creates high volume, low cost image

POS Displays

- Assortment display – open and closed assortment
- Theme-setting display
- Ensemble display
- Rack display
- Case display
- Cut case
- Dump bin_

Store front Design

- Storefronts must:
  - Clearly identify the name and general nature of the store
  - Give some hint as to the merchandise inside
  - Includes all exterior signage
  - In many cases includes store windows – an advertising medium for the store – window displays should be changed often, be fun/exciting, and reflect merchandise offered inside

Atmospherics

- The design of an environment via:
  - visual communications
  - lighting
  - color
  - sound
  - scent_

Visual Communications

- Name, logo and retail identity
- Institutional signage
- Directional, departmental and category signage
- Point-of-Sale (POS) Signage

- Lifestyle Graphics
- Coordinate signs and graphics with store's image
- Inform the customer
- Use signs and graphics as props
- Keep signs and graphics fresh
- Limit sign copy
- Use appropriate typefaces on signs
- Create theatrical effects

<u>Lighting</u>

- Important but often overlooked element in successful store design
  - Highlight merchandise
  - Capture a mood
  - Level of light can make a difference
    - Blockbuster
    - Fashion Departments

<u>Colour</u>**:**

- Can influence behavior
  - Warm colors increase blood pressure, respiratory rate and other physiological responses – attract customers and gain attention but can also be distracting
  - Cool colors are relaxing, peaceful, calm and pleasant – effective for retailers selling anxiety-causing products

<u>Sound & Scent</u>

- Sound
  - Music viewed as valuable marketing tool
  - Often customized to customer demographics - AIE (http://www.aeimusic.com)
  - Can use volume and tempo for crowd control
- Scent
  - Smell has a large impact on our emotions

- Victoria Secret, The Magic Kingdom, The Knot Shop
- Can be administered through time release atomizers or via fragrance-soaked pellets placed on light fixtures

Controlling cost and reducing inventory loss:

Inventory management simply means the methods you use to organize, store and replace inventory, to keep an adequate supply of goods while minimizing costs.

- Each location where goods are kept will require different methods of inventory management.
- Keeping an inventory, or stock of goods, is a necessity in retail.
- Customers often prefer to physically touch what they are considering purchasing, so you must have items on hand. In addition, most customers prefer to have it now, rather than wait for something to be ordered from a distributor.
- Every minute that is spent down because the supply of raw materials was interrupted costs the company unplanned expenses
- Inventory control is the technique of maintaining the size of the inventory at some desired level keeping in view the best economic interest of an organization.

An Effective Inventory Management Should

- Ensure a continuous supply of raw materials to facilitate uninterrupted production
- Maintain sufficient stocks of raw materials in periods of short supply and anticipate price changes
- Maintain sufficient finished goods inventory for smooth sales operation, and efficient customer service
- Minimize the carrying cost and time.
- Control investment in inventories and keep it at an optimum level

Customer service:

- Integral part of the retail industry.
- Customer service acts as lifeblood

- It is to bring customer back to the store
- Sending customers happily
- Satisfy customers recommend others to visit that store
- It is the word of mouth that multiplies your customer base within a short span of time.
- The strength of good customer service is to develop a long lasting rapport with customers.

Customers Contact Points

1. Financial Assistance
2. Physical Assistance
3. In-Person Product Support
4. Internet
5. Kiosks
6. Telephone/Help line/Toll free Numbers

Essentials of Good Customer Service

- Answer customers phone
- Doesn‘t make fake promises
- Listen to customers.
- Handle the complaints
- Be helpful without considering earning profit always
- Go one step ahead
- Manage Customers Creatively

Significance of Customer Service

- Builds brand loyalty
- Complaints are less
- Customers are always happy and satisfied
- Drives profitable growth
- Helps retailers create differentiation and value through their experiences
- Increase the image of a store
- Increases client base

- It is a source of mouth advertisement
- Strengthens competitive advantage
- Visitors become customers and customers become loyal to stores

Planning Merchandise Assortment

- It is a technique of developing, securing, pricing, supporting and communicating the retailer‘s offerings.
- This task is done by a retailer who ensures that right product should reach to the customers at right time, right place and at right price.
- Therefore he devotes most of his time to understand consumers‘ needs and selling merchandise accordingly.
- What to sell and how much to purchase is an important task for every retailer.

Category management:

Category management is the process of managing a retail business with the objective of maximising the sales and profits of a category rather than the performance of individual brands or models.

A category is an assortment of items that the customer sees as reasonable substitutes for each other. For example, retailers in ready to wear segment consider female and male clothing as one category.

It systemizes grouping of products into strategic units or category so as to better meet consumer needs and achieve sales and profit goals. Today, the relevance of category management is driven by the emergence of multiple numbers of brands in each product category. For the success of any category management, retail business requires changes in the merchandising system and organizational commitment.

The Essential Elements of Effective Category Management:

1. Category should be arranged as if consumers could stock the shelf themselves
2. Category composition should be on the basis of time, space and product benefit
3. Category management should drive multiple item purchase
4. Category management is a dynamic, proprietary set of decision, not a standard, universal practice.
5. It is directed to create value for the consumer rather than facilitating relationsbetween supplier and retailer.

6. Category management plan should be based on the overall competitive environment in a specific trading area.

Stock Keeping Unit (SKU)

- It is a unique number (identifier) assigned to an item that describes its features in terms of size, color, style and quantity.
- Each organization according to its size, level of operations and product categories, develops its own SKU numbers.
- These numbers are unique and allotted/assigned to a single item. No two items in an outlet will have identical **SKU** number and are usually assigned and serialized at an outlet/merchant level.
- This system allows retailers to track records of merchandise.

Merchandise Buying system:

- Retailers throughout the globe usually employ two types of buying systems:
  I. Staple merchandise buying system
  II. Fashion merchandise buying system

Buying System for Staple Merchandise

- **Staple merchandise** consists of the items that are regularly purchased, displayed and sold by the retailers.
- For a grocery store, staple merchandise will be bread, butter, milk, salt, eggs, and tissues and so on.
- Similarly, most of the merchandise at sports store and home improvement centers are **staple**.
- For a departmental store, staple merchandise is camera rolls, stapler pins, pens, notebooks, briefcase, gift items and house wares.

Buying System for Fashion Merchandise

- **Fashion merchandise** consists of the items those usually have unpredictable demand and limited sales record. Demand forecasting as discussed earlier, in the absence of any sales history for specific fashion SKU becomes difficult.
- For instance, _Yoga and meditation‘ that was part and parcel of Indians‘ lives before seventies, was replaced by gym, spa and health centers, has again entered in Indians‘ lives and becoming popular among youths too.

Merchandise Budget Plan (MBP)

- It is a forecast of particular merchandise related activities designed for a particular period of time, say, one year or six months.
- Under this plan, rather than physical control of items, stress is given towards their financial planning.
- **MBPs usually** are made for one season and then broken down into shorter periods like monthly & weekly plans.
- In an effective merchandise Budget Plan, a retailer forecasts and plans about five fundamental variables, namely, sales level, stock levels, purchases, reductions (markdowns) and gross margin.
- The objective of having a MBP is that a retailer would like to have a proper balance between:-
- (a) what will be paid to suppliers for purchase of merchandise and making it available to customers; and
- (b) The cash inflow that will come in the business from sales to customers.
- Though in practice, there are several accounting practices that allow some flexibility (for example extended credit terms or easy payment options), this balance is vital to maintain the firm‘s liquidity.
- For the effective accomplishment, the firm‘s internal records, past years experience must be carefully considered instead of relying on historical data alone.

Retail communication mix:

- *Communication is the foundation of all business relationships.*
- *Communication gap can hamper the business relationships*

- The communication program intimates the customers about the presence of a store and its merchandise uniqueness.
- Communication program attracts the customers
- Attract them and lure customers to visit the store
- Retailers adopt both paid & unpaid modes of communication

Role of Communication in Retailing

- To increasing brand awareness
- To develop associations with brands
    - Merchandise Uniqueness
    - Price policy
    - Unique Lifestyle
    - Unique properties
- Continuous Recall

Methods of Communication

1. Paid Impersonal Communication

    - Sales Promotion
    - Advertising
    - Store Atmosphere and Visual Merchandising
    - Websites

2. Paid personal Communication

    - Personal Selling
    - E-mail

3. Unpaid Impersonal Communication

    - Publicity

4. Unpaid Personal Communication

    - Word of Mouth Communication

Retail Communication Process

1. Planning the Retail Communication Programme
2. To Device the Communication Strategy
3. Preparing the Communication Budget
4. Implementation of Communication Programme
5. Evaluating the Communication Programme

Module – 5

Retail Pricing

Setting the right price will result in increased revenue to the retail firm. The prime objective of retail pricing is to achieve profitability which is influenced by two factors. They are Profit margin of the offering and cost of merchandising.

Factors Influencing Pricing:

The porter‘s model can help to understand the influences of retail pricing.

1. **Customer**: Customer‘s price sensitivity is influenced by many factors. For ex: Café coffee day offer the coffee at the same price of Rs.35 (minimum) in all its branches of urban and semi urban areas, though it is a general assumption that semi urban customers won‘t go for highest prices. But in order to maintain, its positioning strategy, coffee day maintained the same price and attracting its target customers through its ambience. Segmentation of the customers can also be useful for fixing the appropriate price. There is some customers look for the benefit of owning the brand rather than the price. Situations also affect the pricing policy of the firm. A store located in hill station may fix high price and the same may be accepted by customers.

2. **Suppliers**: In order to maintain image of the brand and to achieve the goal of the firm, sometimes the manufactures direct the pricing policy of the retail firm. The conflict between the retailer and manufacturer may arise when the manufactures decides to introduce a new model and that hampers the movement of retailer‘s old stock. Reputed Retailers have more bargaining power when they buy bulk items from the manufacturer. Also sometimes retailers seek, for price guaranteed ie if the prices of sold items to retailer go down.

3. **Competitor**: It affects the freedom to fix price. The range varies from being perfect to monopoly. Retailers generally avoid price based strategy because it may end up in price war.
4. **Government**: There are legal issues relating to price discrimination. The retailer can charge different price to different customer only when the distance is the justifying factor.

Vertical Price Fixing: The retailer to set price at manufacturer suggested price.

Horizontal agreement: - agreement between retailer competitors

Predatory pricing- This pricing is considered as illegal as it intends to drive away the competition.

Retail pricing strategies:

1. EDLP- Every Day Low Pricing: It is popularized by Wal Mart, Home Depot. In India, this strategy is followed by Big Bazar. But the bulk volume is necessary to negotiate with the manufacturer for price concession so that it can be offered at reduced price to the customer. Low prices are stable and not subject to one time sale. The strategy is that it continues to offer products below MRP.

Advantages: Less reliance on price reduction to change, Reduced Advertisement, Informed customer service, Better Inventory management.

2. High – Low Pricing: Prices that are sometimes above their Competitors EDLP. It uses Advertisement to promote frequent sales. Also use _sale' to respond increased competition.

Advantages: some merchandise can be used to target different segments; Enthusiasm is created among customers (impulse Purchase), Image of quality is created (high price- no compromise on quality); EDLP is difficult to implement, so it has advantage over that.

3. Loss Leader Pricing: Fast moving products offered at low price as to attract buyers and to persuade them to buy other products also

4. Skimming: sets relatively high price for a product or service at first and then lower price over time. Effective only when the firm is facing inelastic demand.

5. Penetration Pricing: setting a relatively low initial entry price so as to increase market share. The retailer has to be very careful with this strategy as it may establish long term price expectation and that makes it difficult to eventually raise prices. The solution is to set the initial price at the long term price but include an initial discount coupon

6. Price lining: refers to the offering of merchandise at a no. of specific but pre-determined prices. Prices may be held constant over a period of time eg. 79.50, 109.50, 149.50

7. Psychological pricing: intended to have special appeal to customers.

- *Prestige pricing*: high prices to convey distinct and exclusive image for the product. Charging high price for a product where it is judged this in itself give it prestige. For e.g.: TAJ
- *Reference Pricing*: uses consumers frame of reference that is established through previous experience of purchasing eg: sports items.
- *Traditional Pricing*: uses historical /long standing prices (sports products)
- *Odd-Even pricing*: eg: $ 9.95 to denote lower price or a ―good deal‖ $ 10.00 –imply high quality.
- *Multiple Unit pricing* –encourage additional sales and increase profits. Gross margin that is sacrificed in a multiple unit sales is more than offset by the savings that occur from reduced selling and handling expenses.
- *Bundle Pricing:* Practice of offering two or more different products at one price. Used to increase both unit and rupee sales by brining traffic in to the shop.
- *Pre-emptive Pricing:* setting low prices in order to discourage or deter potential new entrants
- *Extinction pricing:* Has overall objective of eliminating competition and involves setting very low prices in the short term in order to undercut competition.

RETAIL PROMOTION:

Retail promotion is broadly defined as all communication that informs persuades and or reminds the target market or other prospective segment about marketing mix of the retail firm. The retailer seeks to communicate with customers to achieve a number of objectives.

a) Increasing store traffic by encouraging new shoppers to visit store

b) Increasing the share of wallet for all shoppers

c) Increasing the sale of a given product category

The promotional elements include:

Advertising, sales promotion, Publicity, personal selling, Direct marketing, Public relations.

Selection of Promotion Mix:

Retailers usually employ a combination of the above. The degree and nature of usage of each promotion method depends on the objectives of the retail firm. For ex. McDonald's extensively relies on advertising in national and local newspaper. Haldiram, the Delhi centric food chain, primarily relies on point of purchase (POP) material. Retail banking Industry makes extensive use of all promotional methods including television, print media. Various retail promotion methods can be compared on the basis of the degree of control, flexibility, credibility and cost associated with them.

Retail Advertising:

The American Marketing Association defines Advertising as any paid form of, non personal presentation of ideas, goods, services by an identified sponsor‖ Advertising is recognized as an indispensable tool of promotion. Based on the conceptualization, advertising can be understood as follows:

1. paid form of communication
2. Non personal presentation of message (face to face direct contact with customer)
3. Issued by an identified sponsor.

OBJECTIVES OF ADVERTISING:

- To promote new product, to support personal selling programme
- To reach out to people not accessible to salesperson
- To enter new market, to manage competition
- To enhance goodwill of the retail firm and to improve dealer relation
- To warn the public against imitation of the retailers products.

SIGNIFICANCE OF ADVERTISING IN RETAIL SECTOR:

Its imperativeness has increased in this era of globalization and liberalization around the worlds. Raymond‘s the apparel retail chain, primarily used television and print ad to promote experiential aspect associated with shopping at its stores.

TYPES OF ADVERTISING:

a. Consumer oriented or persuasive Advertising: The major objective of consumer oriented advertising is to inform consumers about the new products, holding consumer patronage against intensified campaign by rivals, promoting a contest or a premium offer. It helps in maintaining a regular demand and attracts a lot of attention and preferences of the customers. eg: Wills Lifestyle, the ITC owned apparel retail chain
b. Informative Advertising: Purchase of durable products is often too expensive to buy, so the buyer requires elaborate information about them. Hence the retailer and manufacturer spend a huge amount of informative advertising.
c. Institutional or corporate Advertising: Its main motive is to build corporate image. An attempt is made to highlight the achievements and objectives of retail organization. E.g. HDFC bank has tied up with Business Today the leading business magazine to sponsor 10000 copies of the Magazine in each metro. The cover of the sponsored copies of December 2003 rated HDFC bank as the best bank in the country.
d. Financial Advertising: advertisement by various financial institutions like standard chartered Bank, ICICI etc. Recently HDFC bank has evolved a mix of sales promotion and advertising to attract new customers.
e. Classified Ad: which are placed under specific headings and columns in various magazines.

SALES PROMOTION:

Sales promotion refers to communication strategies designed to act as a direct inducement, an added value or incentive for the product to customers. Sales promotion provides extensive tactical measures to marketers to manage internal or external impediments to sales or profits. Internal impediment (unsold stock); External impediment (competition)

Objective of Sales Promotion:

- Assist the other communication activities undertaken by the store.
- to encourage new tiers by offering free trial
- to encourage repeat purchase

Supplier originated sales promotions:

Sales promotion can originate from two sources – suppliers or retail store itself.

In-store Activities:

Price –off Pack: The product is sold at reduced price form its normal selling price. This is in the form of a discount.

Premiums: These are in the form of small gifts that a customer gets on purchasing a product. It's attached to the pack or inside the pack.

Self-liquidating Premiums: Customer has to write to the supplier for the gift, enclosing empty packets, bottle crowns etc. of the product plus some money. Basically the customer provides some proof of the purchase. *For eg: Rin gift hunt, Rs. 5 lack worth of educational gift to children (requires customer has to fill the form and submit to the nearby store)*

Personality promotions: Many companies use show –business personalities to endorse their products. The suppliers tend to associate the charisma associated with these personalities. For ex: T.N Shesan the former election commissioner was used by Safal Vegetables since he did not appear for any other product and he had an honest and upright image.

Co-operative promotions: two or more products share and fund in joint store promotion. Shaving foam and after shave lotion.

Sampling: Free sample, and sometimes the demonstrator may also be present to explain the product. The product may be entirely new and customers may have little knowledge about the product

Multipack: two or more packs are attached and sold for a better and attractive price than the price of the items singly. Maggie noodles packet free with the purchase of four or one gets three soaps at the price of two.

Buy one Get one free: The customer can get two units of the product at the price of one.

Point of purchase (POP) Display Material:

Leaflets, special fittings: Products are kept in the special racks row stands provided by the suppliers. For ex: racks provided by the toothbrush suppliers, dry battery stands, glass case for watches.

Demonstrators: sometimes demonstrators used in this context. For ex: a children's product may use a person dressed as their logo (e.g.: teddy bear)

PUBLICITY:

Publicity entails any communication that fosters a favourable image for the retailer among its public. It can be personal or non personal, paid or non-paid and sponsor controlled or non-sponsor controlled. Publicity is a non personal form of promotion where messages are transmitted through mass media, the time or space provided by the media is not paid for, and there is no identified commercial sponsor.

TYPES OF PUBLICITY:

PLANNED PUBLICITY: A retailer outlines its activities in advance, strives to have media report on them, and anticipated that certain events will result in media coverage. Community services like donations, and social sales, and introduction of new goods or services of the activities which lead to media coverage.

UNEXPECTED PUBLICITY: It takes place when the media reports on a firm without any advance notice about the media coverage. TV and newspaper reporter may anonymously visit stores and rate their performance for their coverage.

COMPLEMENTARY PUBLICITY: Sometimes media reports about a firm in a complimentary manner with regard to the excellence of its retailing practices. eg: HDFC

Retail promotion needs to be organised with due understanding of the retail business and its positioning.

Demonstrators: sometimes demonstrators used in this context. For ex: a children‘s product may use a person dressed as their logo (e.g.: teddy bear)

DIRECT MARKETING:

Direct marketing is a channel-agnostic form of advertising which allows businesses and non-profit organizations to communicate straight to the customer, with advertising techniques that can include cell phone text messaging, email, interactive consumer websites, online display ads, database marketing, fliers, catalog distribution, promotional letters, targeted television commercials, response-generating newspaper/magazine advertisements, and outdoor advertising. Amongst its practitioners, it is also referred to as *direct response*.

Direct marketing is one of the forms of communications which seeks to cause action; forms databases about clients; influences separate layers of consumers; gives the chance to learn and analyze their action of the consumers to various offers.

Direct marketing is directly reaching market (customers and potential customers) on a personal (phone calls, private mailings) basis, or mass-media basis (infomercials, magazine ads, etc.).

PROBLEMS AND PROSPECTS

PROBLEMS

- Cannot see and examine
- Operating costs
- Low response rates
- Intense competition
- Image problems
- Lack of comfort with interactive technology
- Privacy and ethical issues

PROSPECTS

- Segmentation and targeting
- Geographical range
- Shopping convenience
- Technological advances
- Lower prices to customer is possible
- Lower operating costs are possible

Tools of Direct marketing:

Personal relations with clients

• Public statements

• Use of recommendations

• Personal SALE

• Catalog marketing

• Mobile marketing

• TV marketing

• Web marketing

• Door to door contacts

PERSONAL SELLING:

Personal selling is a promotional method in which one party (e.g., salesperson) uses skills and techniques for building personal relationships with another party (e.g., those involved in a purchase decision) that results in both parties obtaining value.

In most cases the "value" for the salesperson is realized through the financial rewards of the sale while the customer‘s "value" is realized from the benefits obtained by consuming the product. However, getting a customer to purchase a product is not always the objective of personal selling. For instance, selling may be used for the purpose of simply delivering information.

Because selling involves personal contact, this promotional method often occurs through face-to-face meetings or via a telephone conversation, though newer technologies allow contact to take place over the Internet including using video conferencing or text messaging (e.g., online chat).

PUBLIC RELATIONS:

Public relations (**PR**) are the practice of managing the spread of information between an individual or an organization (such as a business, government agency, or a non-profit organization) and the public.

Public relations may include an organization or individual gaining exposure to their audiences using topics of public interest and news items that do not require direct payment.

This differentiates it from advertising as a form of marketing communications. The aim of public relations is to inform the public, prospective customers, investors, partners, employees, and other stakeholders and ultimately persuade them to maintain a certain view about the organization, its leadership, products, or of political decisions. Public relations professionals typicallyworkfor **PR** and marketing firms, businesses and companies, government and public officials as PIOs, and nongovernmental organizations and non-profit organisations.

Module – 6

Relationship marketing and International retailing

Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges.

- Relationship marketing draws upon number of areas(customer quality, customer service, social interaction)
- Relationship marketing implemented through various components(rewards, customer services and involvement of customers in planning and execution of retail strategy)
- Customer service is the vital part of Relationship Marketing

THE EVOLUTION OF RELATIONSHIP MARKETING:

Customer Relationship Management (CRM) originated in two unrelated places.

USA- Database Marketing was used when the marketers directed their efforts to increase selling effectiveness. Information Technology and Statistical analogy was also used for this purpose.

Scandinavia and Northern Europe – The Relationship marketing was emphasized in B2B marketing.

In the later half of 1990, there was a shift from Database marketing to Relationship Marketing. Marketers and Retailers started using IT to communicate with customers and that helped them to base their product offering.

Relationship Marketing emerged out of 2 major considerations

1. Macro level(At the macro level there was an increased necessity to maintain relationship with employees, customers, suppliers and government)
2. Micro level(At the micro level there was a shift from Transaction focus to Relationship marketing

Transaction Marketing: - focuses on single sale, product features, little emphasis on customer service and moderate customer contact.

Relationship Marketing:-focuses on customer orientation, high emphasis on customer service, High commitment. Related to this is Pareto's Law which states that 80 % of the company revenue comes from the 20% of the loyal customers. The fact is that acquiring a new customer cost 5 times of retaining an existing customer. Relationship Marketing attempts to optimise the resources for the retailing by retaining customers.

Relationship Strategies in Relationship Marketing:

1. Personalisation: It describes the social content of the interaction between service employees and their customers. It can be regarded as a means of showing recognition and respect ex: Feeling of familiarity, personal recognition, friendship and social support by retailer. Sometimes retailers recognize customers calling by their name.

2. Special Treatment Benefit: Relationship marketing does not tell to maintain relationship with all customers. Customer focus and selectivity is the key aspect of Relationship marketing. It emphasizes relationship with the loyal customers. Differentiation required between loyal and the non-loyal one. Up gradation and service augmentation are the ways to provide special Treatment benefit to the loyal customers.

3. Communication Benefits: Efforts must be taken to ―Stay in touch‖ with customers- is the key determinants of Relationship Marketing. Companies use Direct mail, e-mail and telephone and SMS service to keep in touch with the customers.

4. Rewards: Pricing incentives, money savings, free gift are the ways to reward loyal customers. Rewarding efforts must be more functional and economical.

Relationship marketing in organised vs. unorganised retail sector:

Organised Retailers can be classified as in store retailer and Non store retailer.

Organised Retailer provide standardized service, large retail format with high quality ambience, well trained sales staff, wide range of merchandising.

Unorganised Retailers: (Kirana stores and Central Business district of a city)

- The USP (Unique selling Preposition) of this unorganized retailer is locational convenience and customized service.
- They establish comfortable relationship, and the customers inform about their changing needs on a regular basis. Sometimes the retailers are considered to be the part of their family
- Relationship efforts of unorganized retailer are not only confined to Grocery but also garment, jewellery and durables. Customers depend on retailers than on brands. This is the result of relationship.

Loyalty Programme:

The use of loyalty programme is evident from the fact that the corporate expenditure on loyalty programme is booming.

The following are the bases for loyalty programme.

1. Loyal customers are cheaper to serve: Retailers may not be required to invest , maintain and communicate with customer(loyal) as they are already predisposed to search for information (new arrivals and services)
2. Loyal customers are willing to pay more for a given bundle of offering: Customers normally stick into one business entity because of high switching cost and psychological stress. They therefore will to pay higher prices.
3. They act as Effective marketer for the service offering: The word of mouth marketing is very effective, and many stores justify their investment in loyalty programme by seeking profits not so much from the loyal customer but from the new customer the loyal one brings.

RETAIL RESEARCH

Retail Research: Marketing research specifies the information required to address the marketing issues (marketing opportunities, evaluate marketing actions, monitor marketing performance) design the method of collecting information, manages and implements the data collection process, analyses and communicated findings and their implications.

Importance of research in retailing:

- Retail research can help retailers to take important decisions such as market positioning, which retail format will be most suitable for the particular target market, how best to display merchandise and so on.
- At the retail level, research is used for concept testing, business feasibility analysis, identifying the correct product mix, understanding the target market profile, understanding and analyzing consumer behaviour.

Methods of retail research:

Qualitative Research Methods:

It is used to find out what is in consumer‘s mind. The retailer will be able to get oriented to the range and complexity of consumer activity and concerns. Such data may help retailer to know more about things (feelings, thoughts, and intentions, past behaviour) which cannot be directly observed or measured.

Focus group study is used to identify the most likely product positioning, and to know the cues on the various features which go into the shopping such as ambience, shopping needs and requirements, style preferences.

3 Major types:

1. Exploratory Research: defines the problem in detail, suggest hypotheses, used for generating ideas for new product.

2. Orientation Method: getting to know the consumer‘s best view and vocabulary.

3. Clinical: Gaining insights of issues which otherwise might be impossible to pursue structured research methods.

Qualitative research can take the form of Focus Group Discussion, Projective techniques (Word association test, third person role playing, and sentence completion test)

Quantitative Research through survey:

Survey can help to understand the consumer‘s behaviour: Current shopping patter, to know the size of the market, the retail formats currently being used, size of the core target.

The survey in many forms is one of the most widely used and well knows method of acquiring marketing information by communicating with the group of customers through questionnaire or interview. It is efficient and economical.

Observation Method of Research:

-used to provide information on current behavior. The research design can be: Casual or systematic.

It will be easy to observe the following information:

- what is the in store traffic pattern
- what is the customers reaction to the displays, visual merchandising
- what is the pattern of customers movement
- why is the reaction to private labels
- which are frequently asked questions by the customers

Forms of observation:

1) **Direct observation**: the retailer may use an observer disguised as a shopper to observe how long customer spend time in the display area.

2) **Contrived observation**: Buying teams disguised as customers will try to find out what happens during normal interaction between the customer and the retailers.

3) **Content Analysis**: used to analyse the content or messages of advertisement

4) **Humanistic Enquiry**: It involves immersing the researcher in the system under study .The researcher maintains two dairy.

1) Theory construction which records in details the thoughts, premises, and hypothesis.

2) A detailed date and time sequenced notes which are kept on the technique used for enquiry with special attention to biases or distortions

5) **Behaviour recording devices**: help to overcome deficiencies of human observers. People meter, Eye movement recorders, voice pitch analyses.

Brand management in retailing:

Of the top 10 strongest brand in the world five are retail brand. Brand management possess several challenges to the retailer. The key issues are:

1. Brand management of the retail outlet, and
2. Deciding whether or not to opt for the strategy of self own branding.

The 10 strongest brands in the world:

Coco-cola, McDonalds, Sony, Nike, Microsoft, Wal Mart, Ford, Levis, Gap and Amazon

A retailers brand is valuable since it enhances reach and endurance with the consumer and ensures more focused strategic plan. The elements of store brand are

1. Format

2. Location

3. Visual Merchandising

4. Experience

5. Price

6. Product assortment

7. Service

Own Branding:

Own branding occurs when a retailer sells products under the retail organizations house brand name. Own branding can be of two types, integrated own branding (occurs when the retailer also manufactures the branded retail products.

eg.Raymonds, Bose, Sony retail outlets) and Independent Brand (occurs when the retailer procures the products from other suppliers though, they are sold under the label of the retail house e.g. grocery, garments, shoes).

Significance of Own Branding:

Private labels have showed an increase in tern of both value and volume across countries. Private label share of the product categories such as food, drink, personal care ranged between 5% and 20% in value terms in most countries. A well run private label brand enhances store profitability by increasing pressure on branded manufactures.

Internationalisation of retailing

Evolution of International Retailing:

The geographic shift in consumer spending over the last decade has been enormous, resulting in a change of priorities for many retailers. Rising incomes, improved infrastructure and fewer tariffs have made a number of emerging markets both more accessible and more attractive. The lure of high growth rates fuelled interest and investment into these markets, sparking a sharp rise in the number of market entries from retailers across the world. Many developed markets, on the other hand, have faced long periods of stagnation and in some cases, decline. This has forced retailers from these markets to reconsider domestic store expansion and look for opportunities in new market Exacerbated by the rise of e-commerce, the growth in the size and number of internet retailers has made saturated markets even more competitive. These two forces of attraction and repulsion have propelled the internationalisation of retail.

1. Domestic saturation and the high growth nature of emerging markets are the biggest drivers of the internationalisation of retail.
2. Acquisition of supply chain infrastructure and local knowledge mean grocery retailers are best suited to inorganic international growth.
3. Vertically integrated retailers stand a much greater chance of success when internationalising compared to multi-brand retailers.
4. High growth opportunities from luxury brand retailers will be geographically different from the rest of the retail world.

5. The shortage of international home improvement and gardening retailers proves that some retail concepts are harder to export than others
6. Despite the importance of internet retailing, real growth abroad requires stores.

Motives of International retailing:

There are numerous reasons why to proceed internationally, however the objective of every company for going international is to expend its business, searching new market and expand its customer base. There are several reasons listing below for entering in international market:
1. Growth and Profitability - A lot of companies turn to global markets for growth. Introducing new products internationally can broaden their customer base, sales and revenue.

2. Economics of Scale - Expanding size and scope of markets help to achieve economies of scale. International approaches give economies of scale while sharing of costs and risks between markets. Economies of scale occur when the unit cost of a product declines as production volume increases.

3. Risk Diversification - Several companies move worldwide so that they can diversify. Selling products in numerous countries reduces the company‘s exposure to economic as well as political instability within the country.

4. Uniqueness of Product or Services - The product with distinctive attributes isn‘t likely to meet competition in the abroad markets and enjoy massive options throughout worldwide marketplaces.

5. Spreading R& D costs - Through spreading the marketplace, a firm rapidly recovers the cost incurred in R&D. it is especially true with regard to products including higher cost associated with R&D. As result of the large marketplace and also due to larger coverage of the right market segments in international markets, it facilitates speedy recovery of such costs.

6. Resources and Ideas - Due to unavailability of resources in domestic country or at better competitive rate companies turn into global market. Also companies proceed internationally to collect the different ideas in the different lifestyle of various countries as well as to broaden their workforce.

7. Employees - All organization wants skilled and well trained employees, as Company goes to worldwide marketplace to find alternate source of the labour at lower cost.

International Retail Environment:

1. Political factors:
   a. How stable is the political environment in the prospective country?
   b. What are the local taxation policies? How do these affect your business?
   c. Is the government involved in trading agreements, such as the European Union (EU), the North American Free Trade Agreement (NAFTA), or the Association of Southeast Asian Nations (ASEAN)?
   d. What are the country's foreign-trade regulations?
   e. What are the country's social-welfare policies?

2. Economic factors:
   a. What are the current and forecast interest rates?
   b. What is the current level of inflation in the prospective country? What is it forecast to be? How does this affect the possible growth of your market?
   c. What are local employment levels per capita, and how are they changing?
   d. What are the long-term prospects for the country's economy, gross domestic product (GDP) per capita, and other economic factors?
   e. What are the current exchange rates between critical markets, and how will they affect production and distribution of your goods?

3. Socio cultural factors:
   a. What are the local lifestyle trends?
   b. What are the country's current demographics, and how are they changing?
   c. What is the level and distribution of education and income?
   d. What are the dominant local religions, and what influence do they have on consumer attitudes and opinions?
   e. What is the level of consumerism, and what are the popular attitudes toward it?
   f. What pending legislation could affect corporate social policies (e.g., domestic-partner benefits or maternity and paternity leave)?

g. What are the attitudes toward work and leisure?

4. Technological factors:
    a. To what level do the local government and industry FUND research, and are those levels changing?
    b. What is the local governments and industry's level of interest and focus on technology?
    c. How mature is the technology?
    d. What is the status of intellectual property issues in the local environment?
    e. Are potentially disruptive technologies in adjacent industries creeping in at the edges of the focal industry?

5. Environmental factors:
    a. What are the local environmental issues?
    b. Are there any pending ecological or environmental issues relevant to your industry?
    c. How do the activities of international activist groups (e.g., Greenpeace, Earth First!, and People for the Ethical Treatment of Animals [PETA]) affect your business?
    d. Are there environmental-protection laws?
    e. What are the regulations regarding waste disposal and energy consumption?

6. Legal factors:
    a. What are the local government's regulations regarding monopolies and private property?
    b. Does intellectual property have legal protections?
    c. Are there relevant consumer laws?
    d. What is the status of employment, health and safety, and product safety laws?

Module – 7

Retail Audit and Ethics in Retailing

It helps to ascertain the sales personnel‘s efficiency at the point of sale or to find out the average time taken on a normal day or during the weekend.

Retail Process Audit: Such retail process audit helps to examine a store‘ efficiencies in terms of operating process or reduce the cycle time. For instance with the help of retail process audit, the retailer can work out ways to improve customer service delivery and to improve performance.

Retail Store Audit: While visiting the store, the retail auditor will collect observable information such as the shelf prices, display space, the presence of special display and in store promotion activities. The retailers can use retail store audit results to project and arrive at nationwide and regional estimate of total sales, inventories etc.

Nielson Retail Index:

It Covers 4 major groups (grocery product, drug, merchandise and alcoholic Beverages) It usually includes the following variable:

- sales on the basis of retail rupees, Distribution in terms of % of all stores
- Selling prices, retailer support in terms of shelf spacing, special displays, in store advertising.

Consumer Purchase Panel Audit:

It helps to understand how much product is moving through the distribution channel. Two methods for collecting this data:

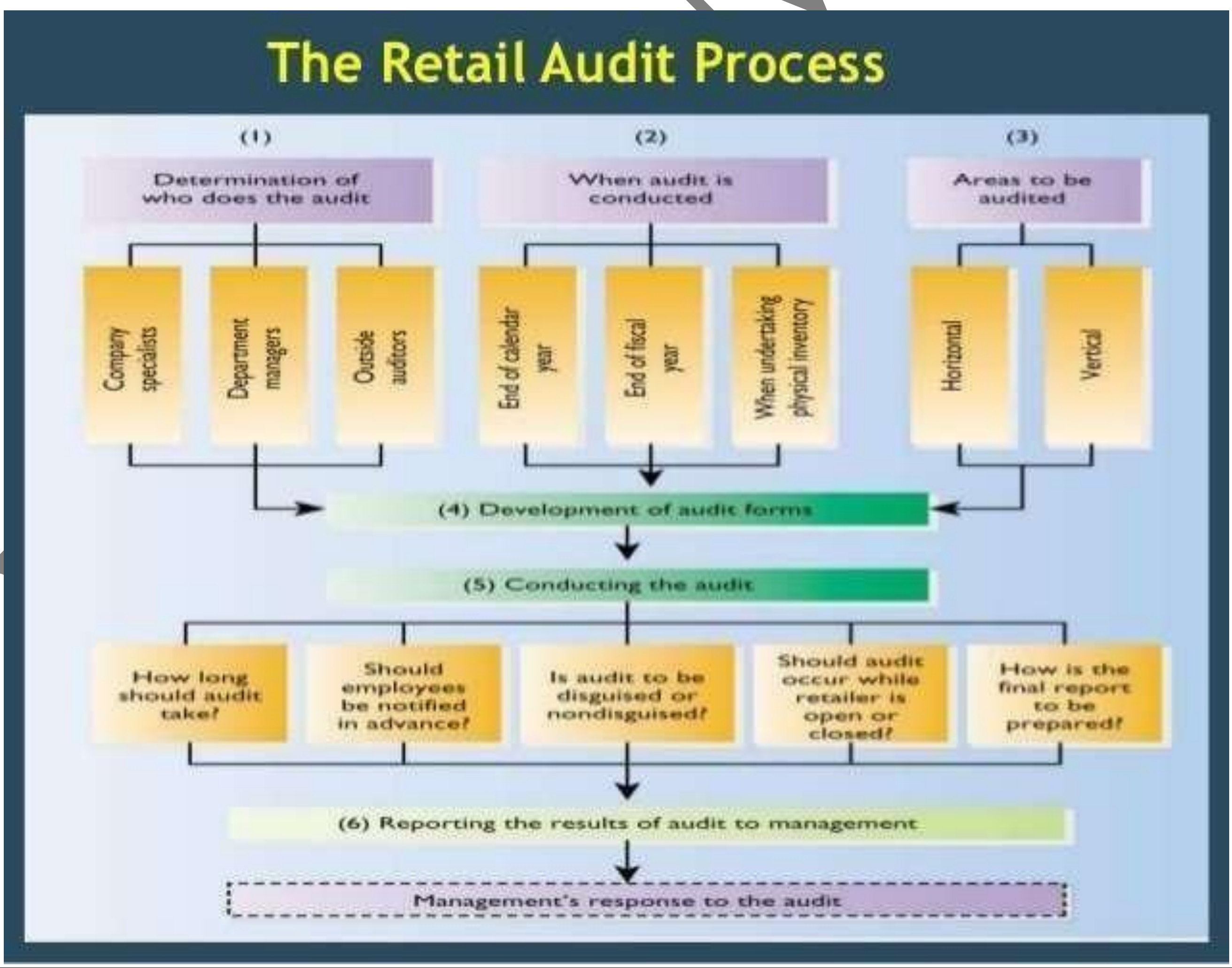
1. Home audit approach: panel member aggress to permit an auditor to check the household stock of certain product categories at regular intervals
2. Mail Dairy Method: the panel member records details of every purchase made in certain categories and return the completed dairy by mail at regular intervals.

Examples of a few Research studies in India:

1. The A.C Nielson Shopper Trends
2. Consumer outlook 2004- study conducted by KSA Technopak has revealed that personal credit off take has increased from about 50000 crore in 2000 to about Rs. 1, 60,000 in 2003.
3. KSA Technopak Intimate Apparel Retail study- to explore the intimate apparel retail scenario in India
4. The BT – Indica Research Index of Consumer Sentiments (BT-IRICS) used by marketers to measure consumer confidence.

Indian Retail Prognosis- ICICI Bank Research study compilation: ICICI based on retail banking experience gives data on the Indian consumer behaviour towards retail banking.

Retail audit process:



Ethics in Retailing:

Ethics is a set of rules for human moral behavior.

For retailers they can have explicit code of ethics or implicit code of ethics.

- Explicit code of ethics: Written policy that specifies what is ethical and unethical behavior.
- Implicit: Unwritten but well understood set of rules/standards of moral responsibilities.

Ethical situations in retailing

- Should a retailer sell merchandise that was made using child labour?
- Should a retail buyer accept an expensive gift from vendor?
- Should a retailer treat some customers better than others?
- Should a retailer give preferences to minorities when making promotion decision?

Ethical and legal issues:

1. Consumer Fraud: The defrauding of a consumer of various products and services which do not perform as advertised, or overcharging or levying hidden charges through deceptive business practices. Agencies for Protection of Consumer Fraud - Indian Association Of Consumers (IAC) Consumer Forum (CF) Consumer Education Society (CES), Karnataka Consumer Services Society (KCSS)

2. Supplier Labour Practices: Legally prohibited action by an employer or TRADE union such as refusal to bargain in good faith. Case of unfair labour practices Apple‘s supplier labour practices in china scrutinized after Foxconn, Pegaton reviews

3. Retail Theft: It is also called as Shop Lifting Shoplifting (also known as boosting, five finger discount, or shrinkage within the retail industry) is theft of goods from a retail establishment. It is one of the most common crimes. There are people and groups who make their living from shoplifting, who tend to be more skilled. Generally, criminal theft involves taking possession of property illegally.

4. Slotting Allowances: A fee paid by a manufacturer to a retailer to provide shelf space or a slot for a new product. Is a fee charged to produce companies or manufacturers by supermarket distributors (retailers) in order to have their product placed on their shelves? The fee varies greatly depending on the product, manufacturer, and market conditions

5. Use of Customer Information: The consumer information contained here is intended, in part, to alert the reader to pertinent issues regarding this site. The information contained herein is not intended as a substitute for professional consultation.

Social responsibility:

Social responsibility is an ethical framework which suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large. Social responsibility is a duty every individual has to perform so as to maintain a balance between the economy and the ecosystems.

A trade-off may exist between economic development, in the material sense, and the welfare of the society and environment. Social responsibility means sustaining the equilibrium between the two. It pertains not only to business organizations but also to everyone who‘s any action impacts the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals.

Consumerism:

Definition- the "social movement seeking to augment the rights and power of buyers in relation to sellers," (Kotler, 1972)

• It is manifest in new laws, regulations, and marketing practices, as well as in new public attitudes toward government and business.

Consumerism is a social and economic order that is based on the systematic creation and fostering of a desire to purchase goods or services in ever greater amounts.

Consumerism in India:

• India is a developing economy.

• Not all Indian consumers are well educated.

• Consumers are often exploited, misled by deceptive advertisements, packaging poor after sales service, adulteration, price collusion and so on.

• Liberalization and competition

• Survival of the fittest

Changes in the attitude of Indian consumers

• The attitude of Indian consumers has undergone a major transformation over the last few years.

• He wants to lead a life full of luxury and comfort.

• He wants to live in present and does not believe in savings for the future.

• He is open to the idea of consumption and a better lifestyle.

• An increase in their income level due to high rate of industrialization, growth of services sector and better employment opportunities

Explain different types of competition.

Competition can take various forms depending on the context and the nature of the entities involved. Here are some different types of competition:

1. **Perfect Competition**: In perfect competition, there are many buyers and sellers in the market, and no single entity has control over prices. All firms produce identical products, and consumers have complete information about prices and products. Examples include agricultural markets.

2. **Monopolistic Competition**: This type of competition features many firms competing with similar but not identical products. Each firm has some degree of market power due to product differentiation. Examples include restaurants and clothing stores.

3. **Oligopoly**: Oligopoly exists when a market is dominated by a small number of large firms, often selling similar or identical products. These firms have significant market power and can influence prices. Examples include the automobile and airline industries.

4. **Monopoly**: In a monopoly, there is only one seller in the market, dominating the entire industry. The monopolist has complete control over prices and supply. Examples include utilities like water and electricity in some regions.

5. **Bidirectional Competition**: This occurs when two or more entities compete with each other while also cooperating. This is common in industries where firms both compete and collaborate, such as the technology sector.

6. **Non-price Competition**: In non-price competition, firms compete on factors other than price, such as product quality, customer service, advertising, and innovation. This type of competition is prevalent in markets with differentiated products where brand loyalty and product features play significant roles.

7. **Price Competition**: Price competition occurs when firms compete primarily by lowering prices to attract customers. This is common in markets with homogeneous products, where consumers are highly sensitive to price changes.

8. **Direct Competition**: Direct competition involves firms that offer similar products or services and compete for the same target market. They often share similar features and attributes, and customers choose among them based on price, quality, or other factors.

9. **Indirect Competition**: Indirect competition involves firms that offer different products or services but compete for the same consumer spending. For example, a movie theater competes indirectly with a bowling alley for people's entertainment budgets.

10. **Local Competition**: Local competition occurs between businesses operating in the same geographical area and targeting the same customer base. It can be fierce, especially in densely populated areas where multiple businesses vie for market share.

Understanding the different types of competition is essential for businesses to develop effective strategies to thrive in their respective markets.

Demonstrate the evolution of Retail competition

The evolution of retail competition has been a dynamic process driven by technological advancements, changing consumer behaviors, and shifts in market dynamics. Here's a broad overview of how retail competition has evolved over time:

1. **Traditional Retail**: Historically, retail competition was largely localized, with brick-and-mortar stores competing based on factors such as location, product selection, and customer service. Small, independent retailers dominated the landscape, and competition was primarily local or regional.

2. **Emergence of Chain Stores**: In the late 19th and early 20th centuries, the concept of chain stores emerged, allowing retailers to expand their reach across multiple locations. Companies like Woolworths pioneered the concept of retail chains, offering standardized products and pricing across their stores. This marked a shift towards greater standardization and efficiency in retail operations.

3. **Mass Merchandisers and Department Stores**: The mid-20th century saw the rise of mass merchandisers and department stores, such as Sears and Walmart, which offered a wide range of products under one roof. These retailers focused on economies of scale, bulk purchasing, and aggressive pricing strategies to attract customers.

4. **Catalog and Mail-Order Retail**: Catalog and mail-order retailing became popular in the late 19th century and remained significant through much of the 20th century. Companies like Sears and Montgomery Ward offered consumers the convenience of shopping from home, bypassing the need to visit physical stores. This form of retail competition laid the groundwork for later developments in e-commerce.

5. **The Rise of E-commerce**: The late 20th and early 21st centuries witnessed the emergence of e-commerce as a disruptive force in retail competition. Companies like Amazon revolutionized the retail landscape by offering vast selections, competitive pricing, and convenient delivery options. E-commerce eliminated many barriers to entry, allowing small businesses and entrepreneurs to compete on a global scale.

6. **Omni-channel Retailing**: With the proliferation of digital technologies, retailers began adopting omni-channel strategies to integrate their online and offline operations seamlessly. This allowed consumers to shop across multiple channels, such as websites, mobile apps, and physical stores, creating a more unified shopping experience.

7. **Personalization and Data-driven Retailing**: Retailers increasingly leverage data analytics and artificial intelligence to personalize the shopping experience and target consumers more effectively. By analyzing customer preferences, purchase histories, and browsing behaviors, retailers can tailor promotions, recommendations, and marketing messages to individual shoppers.

8. **Rise of Direct-to-Consumer (DTC) Brands**: Direct-to-consumer brands have emerged as a disruptive force in retail competition, bypassing traditional distribution channels to sell directly to customers. These brands leverage social media, influencer marketing, and online advertising to reach niche audiences and build loyal followings.

9. **Sustainability and Ethical Consumption**: Consumers are becoming more conscious of environmental and social issues, driving demand for sustainable and ethically sourced products. Retailers are responding by incorporating sustainability initiatives into their business practices and offering eco-friendly alternatives to traditional products.

10. **Competition from Platform Marketplaces**: Platform marketplaces like Alibaba, eBay, and Etsy have transformed the retail landscape by connecting buyers and sellers on a global scale. These platforms provide a level playing field for small businesses and independent sellers to reach a broader audience and compete with established retailers.

In summary, the evolution of retail competition reflects broader trends in technology, consumer behavior, and market dynamics. Successful retailers adapt to these changes by embracing innovation, leveraging digital technologies, and prioritizing customer-centric strategies.

Analyze the Future changes in Retail competition.

Analyzing the future changes in retail competition involves considering emerging trends, technological advancements, evolving consumer behaviors, and shifts in the competitive landscape. Here are several potential developments that could shape the future of retail competition:

1. **E-commerce Dominance**: The continued growth of e-commerce is likely to reshape retail competition significantly. With the increasing prevalence of online shopping, retailers will need to invest in robust digital platforms, logistics infrastructure, and customer engagement strategies to remain competitive.

2. **Mobile Commerce (m-commerce)**: The proliferation of smartphones and mobile devices is driving the growth of mobile commerce. Retailers will need to optimize their websites and applications for mobile users, offering seamless and intuitive shopping experiences across various devices.

3. **Artificial Intelligence and Data Analytics**: AI-powered algorithms and data analytics will play a crucial role in shaping retail competition. Retailers can leverage predictive analytics, machine learning, and personalized recommendations to understand consumer preferences, optimize pricing strategies, and enhance the overall shopping experience.

4. **Augmented Reality (AR) and Virtual Reality (VR)**: AR and VR technologies have the potential to revolutionize the retail industry by enabling immersive shopping experiences. Retailers can use AR and VR to create virtual fitting rooms, interactive product demonstrations, and engaging marketing campaigns, driving customer engagement and conversion rates.

5. **Voice Commerce**: The rise of voice-activated smart assistants like Amazon's Alexa and Google Assistant presents new opportunities for retailers to engage with consumers through voice commerce. Retailers can integrate voice-enabled shopping capabilities into their platforms, allowing customers to make purchases and place orders using voice commands.

6. **Sustainability and Ethical Consumption**: Consumers are increasingly prioritizing sustainability and ethical consumption when making purchasing decisions. Retailers will need to adopt environmentally friendly practices, offer transparent supply chains, and provide ethically sourced products to meet evolving consumer expectations.

7. **Direct-to-Consumer (DTC) Brands**: The popularity of direct-to-consumer brands is expected to continue growing, challenging traditional retail models and distribution channels. DTC brands leverage digital marketing, social media, and influencer partnerships to build direct relationships with consumers, offering unique products and personalized experiences.

8. **Omnichannel Retailing**: The integration of online and offline channels will become increasingly important in the future of retail competition. Retailers will need to adopt omnichannel strategies that seamlessly connect physical stores, e-commerce platforms, mobile apps, and social media channels, providing customers with consistent and cohesive shopping experiences.

9. **Subscription Services and Membership Programs**: Subscription services and membership programs are gaining popularity across various retail sectors, offering consumers convenience, value, and personalized recommendations. Retailers can leverage subscription-based models to cultivate loyal customer relationships and drive recurring revenue streams.

10. **Regulatory and Policy Changes**: Changes in regulatory frameworks, privacy laws, and trade policies can impact retail competition at both the domestic and international levels. Retailers will need to navigate evolving regulatory landscapes and adapt their business practices to comply with emerging standards and regulations.

In summary, the future of retail competition will be shaped by technological innovation, changing consumer preferences, and competitive dynamics. Successful retailers will need to embrace digital transformation, prioritize customer-centric strategies, and stay agile in response to evolving market trends and opportunities.

Examine in detail the advantages and disadvantages of Marketing structure.

Marketing structure refers to the organization and arrangement of marketing activities within a company. It involves how marketing tasks are divided, coordinated, and managed to achieve the organization's objectives. Examining the advantages and disadvantages of marketing structures helps companies understand how different approaches can impact their effectiveness in reaching customers and achieving their goals.

Advantages of Marketing Structure:

1. **Efficiency**: A well-designed marketing structure can improve efficiency by streamlining processes, reducing duplication of efforts, and optimizing resource allocation. Clear roles and responsibilities help employees understand their tasks and contribute to achieving marketing objectives more effectively.

2. **Specialization**: By dividing marketing tasks into specialized roles, companies can leverage the expertise of individuals with specific skills and knowledge. Specialization allows employees to focus on their areas of expertise, leading to higher productivity and better outcomes in their respective areas.

3. **Flexibility and Adaptability**: An effective marketing structure allows companies to respond quickly to changes in the market environment, consumer preferences, and competitive dynamics.

Flexible structures enable organizations to adapt their marketing strategies, tactics, and resource allocation in real-time to capitalize on emerging opportunities and address challenges.

4. **Coordination and Collaboration**: A well-defined marketing structure facilitates coordination and collaboration among different departments, teams, and stakeholders involved in marketing activities. Clear communication channels, cross-functional teams, and collaborative processes enable organizations to align their efforts and work towards common goals.

5. **Scalability**: Scalable marketing structures can accommodate growth and expansion without significant disruptions or inefficiencies. As companies grow, they can scale their marketing operations by adding new teams, channels, and resources while maintaining consistency in their brand messaging and customer experience.

Disadvantages of Marketing Structure:

1. **Rigidity**: Overly rigid marketing structures can hinder innovation, creativity, and agility within an organization. Inflexible hierarchies, bureaucratic processes, and rigid job roles may stifle employee initiative, impede decision-making, and slow down responsiveness to market changes.

2. **Silos and Fragmentation**: In some cases, traditional marketing structures can lead to silos and fragmentation, where different

departments or teams work in isolation, focusing solely on their own objectives and priorities. Silos can create communication barriers, hinder collaboration, and limit the organization's ability to deliver integrated and cohesive marketing campaigns.

3. **Duplication of Efforts**: Poorly designed marketing structures may result in duplication of efforts, inefficiencies, and wastage of resources. Without clear coordination and oversight, multiple teams or departments may pursue similar initiatives independently, leading to redundancy, conflicts, and suboptimal outcomes.

4. **Resistance to Change**: Resistance to change is a common challenge associated with implementing new marketing structures or organizational changes. Employees may feel threatened by changes to their roles, responsibilities, or reporting relationships, leading to resistance, morale issues, and productivity losses.

5. **Complexity and Overhead**: Complex marketing structures with multiple layers of management, overlapping responsibilities, and unclear decision-making processes can increase organizational overhead, bureaucracy, and administrative costs. Excessive complexity may slow down decision-making, hinder agility, and erode efficiency over time.

In summary, the advantages and disadvantages of marketing structures depend on various factors, including the organization's size, industry, culture, and strategic priorities. Companies should carefully evaluate their marketing needs, objectives, and internal capabilities to design and implement structures that align with their goals, foster collaboration, and enable them to adapt and thrive in a dynamic business environment. Regular reviews and adjustments to the marketing structure can help organizations address emerging challenges, capitalize on opportunities, and maintain a competitive edge in the marketplace.

MODULE 4

Summarize how distribution center plays a crucial role in logistics management. Write the advantages of distribution centre.

A distribution center (DC) serves as a critical hub in logistics management, playing a central role in the storage, sorting, and distribution of goods from manufacturers to retailers or end customers. Here's a summary of how distribution centers are essential in logistics management and the advantages they offer:

1. **Consolidation and Sorting**: Distribution centers receive goods from multiple suppliers and consolidate them into one location. They play a crucial role in sorting and organizing products based on destination, order requirements, and delivery schedules.

2. **Inventory Management**: Distribution centers facilitate efficient inventory management by tracking stock levels, monitoring product movements, and implementing inventory control measures. They help

minimize stockouts, reduce excess inventory, and optimize inventory turnover rates to improve overall supply chain efficiency.

3. **Order Fulfillment**: Distribution centers are responsible for fulfilling customer orders accurately and promptly. They pick, pack, and ship products to fulfill customer orders received through various sales channels, such as online platforms, retail stores, or direct sales.

4. **Reduced Transportation Costs**: By consolidating shipments and optimizing transportation routes, distribution centers help reduce transportation costs for both suppliers and customers. They enable economies of scale and leverage bulk shipping rates to minimize shipping expenses and improve cost-effectiveness.

5. **Faster Delivery Times**: Distribution centers are strategically located to minimize transit times and facilitate faster delivery to customers. They serve as distribution points closer to end markets, enabling companies to fulfill orders quickly and meet customer expectations for timely delivery.

6. **Improved Customer Service**: Distribution centers play a crucial role in enhancing customer service by ensuring product availability, reducing order lead times, and providing order tracking and status updates. They help companies deliver a positive customer experience by fulfilling orders accurately and reliably.

7. **Seasonal and Peak Demand Management**: Distribution centers help companies manage seasonal fluctuations and peak demand

periods effectively. They provide additional storage capacity and workforce flexibility to handle increased order volumes during peak seasons, holidays, or promotional events.

8. **Product Mixing and Cross-Docking**: Distribution centers facilitate product mixing and cross-docking, allowing companies to consolidate and redistribute products efficiently. They enable seamless transfer of goods between inbound and outbound shipments without the need for long-term storage, reducing handling costs and improving supply chain agility.

9. **Value-Added Services**: Distribution centers offer value-added services such as labeling, packaging, assembly, and customization to meet specific customer requirements. They help companies differentiate their products, add value, and meet evolving customer demands effectively.

10. **Supply Chain Optimization**: Distribution centers play a pivotal role in optimizing supply chain performance by providing visibility, control, and coordination across various stages of the logistics process. They enable companies to monitor key performance indicators, identify bottlenecks, and implement continuous improvement initiatives to enhance overall supply chain efficiency and competitiveness.

In summary, distribution centers are integral to logistics management, enabling companies to streamline operations, reduce costs, improve service levels, and enhance overall supply chain performance. They serve as vital links in the supply chain network, connecting suppliers, manufacturers, and customers to ensure the timely and efficient flow of goods from production to consumption.

Outline various objectives of retailers pricing

Retailers use pricing strategies to achieve multiple objectives that align with their business goals and market conditions. Here are various objectives of retailer pricing:

1. **Maximize Profits**: One of the primary objectives of retailers' pricing strategies is to maximize profits. They aim to set prices at levels that generate the highest possible revenue while considering factors such as demand elasticity, cost structures, and competitive dynamics.

2. **Increase Market Share**: Retailers may use pricing as a tool to gain market share by offering lower prices than competitors. By undercutting competitors' prices or offering discounts and promotions, retailers can attract price-sensitive customers and capture a larger share of the market.

3. **Enhance Perceived Value**: Retailers often use pricing strategies to enhance the perceived value of their products or services. By pricing products higher, they can create the perception of higher quality, exclusivity, or prestige among customers, leading to increased demand and willingness to pay premium prices.

4. **Maintain Price Stability**: Another objective of retailer pricing is to maintain price stability and avoid price wars or excessive discounting that can erode profit margins and undermine brand value. By carefully managing pricing strategies, retailers can establish pricing discipline and maintain stable pricing over time.

5. **Generate Cash Flow**: Pricing strategies are also used by retailers to generate cash flow and improve liquidity. By offering discounts for early payment or implementing dynamic pricing models that incentivize quick sales, retailers can accelerate cash flow and improve working capital management.

6. **Clear Inventory**: Retailers may use pricing strategies to clear excess inventory and minimize holding costs. They may offer discounts, promotions, or markdowns to sell slow-moving or seasonal products, reduce inventory levels, and free up valuable shelf space for new merchandise.

7. **Meet Competitive Pressures**: Retailers must respond to competitive pressures in the market by adjusting their pricing strategies accordingly. They may lower prices to match competitors' offerings, differentiate themselves through value-added services, or strategically position themselves as offering unique products or experiences.

8. **Encourage Repeat Purchases**: Pricing strategies can also be used to encourage repeat purchases and foster customer loyalty.

Retailers may offer loyalty programs, discounts for frequent shoppers, or bundled pricing to incentivize customers to return and make additional purchases over time.

9. **Achieve Price Discrimination**: Retailers may employ price discrimination strategies to capture consumer surplus and maximize revenue. They may offer different prices to different customer segments based on factors such as willingness to pay, purchase history, or geographic location, effectively segmenting the market and extracting maximum value from each segment.

10. **Support Brand Positioning**: Pricing plays a crucial role in shaping brand positioning and perception in the market. Retailers must align their pricing strategies with their brand image, target customer segments, and competitive positioning to maintain consistency and credibility in the eyes of consumers.

In summary, retailers use pricing strategies to achieve a variety of objectives that span from maximizing profits and increasing market share to enhancing brand value, managing inventory, and fostering customer loyalty. Effective pricing strategies are integral to retailers' overall business success and competitiveness in the marketplace.

Explain the interaction between pricing decision and other retailer’s decisions.

Pricing decisions are interconnected with various other decisions made by retailers across different aspects of their operations. The interaction between pricing decisions and other retailer's decisions is multifaceted and can significantly impact the overall performance and success of the retail business. Here's how pricing decisions interact with other key decisions made by retailers:

1. **Product Assortment**: Pricing decisions influence the selection and assortment of products offered by retailers. Retailers consider factors such as pricing strategies, target customer segments, and competitive dynamics when determining which products to stock and how to price them to optimize sales and profitability.

2. **Promotion and Marketing**: Pricing decisions are closely linked to promotion and marketing strategies. Retailers often use pricing as a key promotional tool by offering discounts, coupons, sales events, and other incentives to attract customers and drive sales. The effectiveness of promotional campaigns depends on how pricing decisions complement and reinforce marketing efforts.

3. **Inventory Management**: Pricing decisions play a critical role in inventory management and supply chain operations. Retailers must balance inventory levels, demand forecasts, and pricing strategies to minimize stockouts, reduce holding costs, and optimize inventory turnover rates. Effective pricing decisions help retailers maintain adequate inventory levels while maximizing sales and profitability.

4. **Channel Management**: Pricing decisions affect channel management strategies, including distribution channels, online platforms, and brick-and-mortar stores. Retailers must consider pricing consistency across different channels, channel-specific pricing dynamics, and the impact of channel partnerships on overall profitability and customer experience.

5. **Customer Relationship Management (CRM)**: Pricing decisions are integral to customer relationship management initiatives aimed at acquiring, retaining, and satisfying customers. Retailers use pricing strategies to segment customers, personalize offers, and incentivize loyalty through rewards programs, discounts, and exclusive promotions tailored to specific customer segments.

6. **Service Levels and Experience**: Pricing decisions influence the level of service and overall customer experience provided by retailers. Premium pricing may be associated with higher service levels, personalized assistance, and enhanced shopping experiences, while discount pricing may prioritize efficiency, convenience, and self-service options.

7. **Competitive Positioning**: Pricing decisions are shaped by competitive positioning and market dynamics. Retailers must monitor competitor pricing strategies, assess consumer perceptions of value, and adjust pricing accordingly to maintain competitiveness and differentiate their offerings in the market.

8. **Financial Management**: Pricing decisions impact financial management practices, including revenue forecasting, budgeting, and profit analysis. Retailers must assess the financial implications of pricing decisions, including revenue projections, cost structures, profit margins, and return on investment, to make informed decisions and achieve financial objectives.

9. **Regulatory Compliance**: Pricing decisions are subject to regulatory compliance requirements, including pricing regulations, antitrust laws, and consumer protection measures. Retailers must ensure that pricing practices adhere to legal and ethical standards, avoid deceptive or unfair pricing practices, and comply with industry-specific regulations and guidelines.

10. **Strategic Planning and Decision-Making**: Pricing decisions are integral to strategic planning and decision-making processes within retail organizations. Retailers must align pricing strategies with overall business objectives, market trends, competitive threats, and customer preferences to make informed decisions that drive sustainable growth and profitability.

In summary, pricing decisions are interconnected with various other decisions made by retailers across different functional areas of their business. By understanding the interaction between pricing decisions and other retailer's decisions, retailers can develop integrated strategies that optimize performance, enhance customer value, and drive competitive advantage in the marketplace.

Illustrate how retailers make adjustments to prices overtime.

Retailers make adjustments to prices over time to adapt to changing market conditions, consumer preferences, competitive dynamics, and internal factors affecting their business. Here's an illustration of how retailers make adjustments to prices over time:

1. **Market Research and Analysis**: Retailers conduct market research and analysis to understand consumer behavior, competitive landscape, and pricing trends in the market. They monitor factors such as demand elasticity, price sensitivity, seasonal fluctuations, and competitor pricing strategies to identify opportunities for price adjustments.

2. **Cost Analysis**: Retailers analyze their cost structures, including raw materials, production costs, overhead expenses, and profit margins, to determine pricing thresholds and profitability targets. They assess the impact of cost fluctuations, currency exchange rates, inflation, and supply chain disruptions on pricing decisions.

3. **Competitive Benchmarking**: Retailers benchmark their prices against competitors to assess their relative position in the market and identify pricing gaps or opportunities. They monitor competitor pricing strategies, promotions, discounts, and value-added services to stay competitive and adjust prices accordingly.

4. **Dynamic Pricing**: Retailers employ dynamic pricing strategies that leverage real-time data, algorithms, and predictive analytics to adjust prices dynamically based on factors such as demand fluctuations, inventory levels, time of day, seasonality, and customer segmentation. Dynamic pricing allows retailers to optimize prices for maximum profitability and respond quickly to changes in market conditions.

5. **Promotions and Discounts**: Retailers use promotions, discounts, sales events, and special offers as tools to stimulate demand, clear excess inventory, and attract price-sensitive customers. They carefully plan and execute promotional campaigns, taking into account factors such as timing, duration, pricing levels, and promotional channels to maximize effectiveness and minimize cannibalization effects.

6. **Seasonal Adjustments**: Retailers make seasonal adjustments to prices to capitalize on peak demand periods, holidays, and seasonal trends. They offer seasonal discounts, bundle products, and introduce seasonal promotions to drive sales, increase foot traffic, and enhance the customer shopping experience during key shopping seasons.

7. **Customer Feedback and Response**: Retailers solicit customer feedback and monitor customer reviews, complaints, and suggestions to gauge satisfaction levels and identify areas for improvement. They use customer insights to adjust prices, refine product offerings, and enhance overall customer experience to maintain customer loyalty and satisfaction.

8. **Strategic Objectives**: Retailers align pricing adjustments with their strategic objectives, business priorities, and long-term growth plans. They balance short-term revenue objectives with long-term sustainability goals, brand positioning, and competitive differentiation strategies to achieve optimal outcomes and build lasting relationships with customers.

9. **Regulatory Compliance**: Retailers ensure that pricing adjustments comply with regulatory requirements, pricing regulations, and consumer protection laws governing pricing practices in their respective jurisdictions. They avoid deceptive or unfair pricing practices, maintain transparency in pricing disclosures, and adhere to industry-specific regulations and guidelines.

10. **Monitoring and Evaluation**: Retailers continuously monitor and evaluate the effectiveness of pricing adjustments through performance metrics, key performance indicators (KPIs), and financial analysis. They track sales trends, revenue growth, profit margins, customer acquisition, and retention rates to assess the impact of pricing changes and make data-driven decisions to optimize pricing strategies over time.

In summary, retailers make adjustments to prices over time through a systematic process that involves market research, cost analysis, competitive benchmarking, dynamic pricing, promotions, seasonal adjustments, customer feedback, strategic alignment, regulatory compliance, and performance monitoring. By effectively managing pricing adjustments, retailers can maximize profitability, drive sales growth, enhance customer satisfaction, and maintain competitiveness in the ever-evolving retail landscape.

List out different types of supply chain management in retailing.

In retailing, supply chain management involves the coordination of activities related to the sourcing, production, distribution, and delivery of products to customers. Different types of supply chain management strategies are employed by retailers to optimize efficiency, minimize costs, and enhance customer satisfaction. Here are several types of supply chain management in retailing:

1. **Efficient Supply Chain Management**: Efficient supply chain management focuses on minimizing costs and maximizing productivity throughout the supply chain. Retailers employing this strategy prioritize streamlining processes, reducing waste, optimizing inventory levels, and minimizing lead times to achieve cost savings and operational efficiency.

2. **Agile Supply Chain Management**: Agile supply chain management emphasizes flexibility and responsiveness to changing market conditions, customer demands, and supply chain disruptions. Retailers employing this strategy focus on quick decision-making, rapid adaptation to changes, and real-time collaboration with suppliers and partners to meet shifting customer needs and maintain competitiveness.

3. **Lean Supply Chain Management**: Lean supply chain management aims to eliminate waste, improve efficiency, and optimize resource utilization throughout the supply chain. Retailers employing this strategy focus on reducing inventory levels,

minimizing lead times, and streamlining processes to enhance productivity, eliminate non-value-added activities, and deliver products to customers more efficiently.

4. **Demand-Driven Supply Chain Management**: Demand-driven supply chain management focuses on aligning supply chain activities with customer demand patterns and preferences. Retailers employing this strategy leverage demand forecasting, data analytics, and customer insights to anticipate demand fluctuations, optimize inventory levels, and ensure the availability of products where and when customers need them.

5. **Omni-channel Supply Chain Management**: Omni-channel supply chain management involves integrating multiple sales channels, including online, brick-and-mortar stores, mobile, and social media platforms, into a seamless and cohesive supply chain network. Retailers employing this strategy prioritize inventory visibility, order fulfillment accuracy, and consistent customer experiences across all channels to meet the evolving needs and preferences of modern consumers.

6. **Sustainable Supply Chain Management**: Sustainable supply chain management focuses on integrating environmental, social, and ethical considerations into supply chain practices. Retailers employing this strategy prioritize environmentally friendly sourcing, ethical labor practices, and responsible product stewardship to minimize environmental impact, promote social responsibility, and enhance brand reputation.

7. **Collaborative Supply Chain Management**: Collaborative supply chain management involves fostering close collaboration and partnership with suppliers, distributors, logistics providers, and other stakeholders in the supply chain. Retailers employing this strategy work closely with partners to share information, coordinate activities, and drive mutual value creation through innovation, efficiency gains, and cost savings.

8. **Reverse Supply Chain Management**: Reverse supply chain management focuses on managing the flow of products, materials, and information in the reverse direction, from the end consumer back to the manufacturer or retailer. Retailers employing this strategy prioritize product returns, recalls, repairs, recycling, and disposal to minimize waste, recover value from returned products, and meet regulatory requirements while maintaining customer satisfaction.

9. **Resilient Supply Chain Management**: Resilient supply chain management focuses on building resilience and risk mitigation capabilities to withstand and recover from supply chain disruptions, such as natural disasters, geopolitical events, and global pandemics. Retailers employing this strategy prioritize supply chain visibility, redundancy, diversification, and contingency planning to minimize disruptions, maintain business continuity, and protect against unforeseen risks.

10. **Customized Supply Chain Management**: Customized supply chain management involves tailoring supply chain strategies and processes to meet the unique needs and requirements of specific product categories, customer segments, or market segments. Retailers employing this strategy develop customized supply chain solutions

that align with the characteristics, preferences, and behaviors of their target customers to enhance value proposition and competitive differentiation.

In summary, retailers employ various types of supply chain management strategies to optimize efficiency, enhance flexibility, improve responsiveness, mitigate risks, and deliver value to customers while maintaining competitiveness in the dynamic retail landscape. The choice of supply chain management strategy depends on factors such as business objectives, market dynamics, customer expectations, and competitive pressures.

Analyze various steps in brief the Supply chain business process in retailing management.

The supply chain business process in retailing management involves a series of interconnected steps aimed at efficiently sourcing, producing, distributing, and delivering products to customers. Here's an analysis of the various steps in the supply chain business process in retailing management:

1. **Sourcing and Procurement**: The process begins with sourcing and procurement, where retailers identify suppliers, negotiate contracts, and procure raw materials, components, or finished goods needed to meet customer demand. Effective sourcing strategies focus on selecting reliable suppliers, ensuring quality standards, and optimizing costs to maintain profitability.

2. **Production and Manufacturing**: For retailers involved in manufacturing or private-label branding, the next step involves production and manufacturing processes. This may include product design, manufacturing operations, quality control, and packaging to create finished goods ready for distribution. Efficient production processes aim to minimize waste, optimize resource utilization, and ensure product quality and consistency.

3. **Inventory Management**: Inventory management plays a crucial role in retail supply chain operations. Retailers must effectively manage inventory levels, track stock movements, and optimize warehouse space to ensure adequate product availability while minimizing holding costs and stockouts. Inventory management systems and technologies help retailers monitor inventory levels, forecast demand, and implement replenishment strategies to maintain optimal inventory levels.

4. **Warehousing and Distribution**: Warehousing and distribution involve the storage, handling, and transportation of products from manufacturing facilities or suppliers to distribution centers and retail stores. Retailers manage warehousing operations to optimize space utilization, streamline order picking and packing processes, and ensure timely and accurate order fulfillment. Distribution networks are designed to minimize transportation costs, reduce delivery times, and meet customer service requirements.

5. **Order Fulfillment and Logistics**: Order fulfillment and logistics encompass the processes involved in fulfilling customer orders, including order processing, picking, packing, and shipping. Retailers leverage logistics partners, transportation networks, and

fulfillment centers to deliver products to customers efficiently and cost-effectively. Advanced logistics technologies, such as route optimization, real-time tracking, and last-mile delivery solutions, help retailers improve delivery speed and accuracy while reducing transportation costs.

6. **Retail Store Operations**: For brick-and-mortar retailers, store operations play a critical role in the supply chain business process. Retail store operations involve managing store layouts, merchandising, inventory replenishment, customer service, and sales transactions to create positive shopping experiences and drive sales. Retailers optimize store operations through effective staffing, training, inventory management, and customer engagement strategies.

7. **Omni-channel Integration**: In today's retail landscape, omni-channel integration is essential for retailers to seamlessly integrate online and offline channels and provide customers with a unified shopping experience. Omni-channel retailing involves coordinating inventory, pricing, promotions, and customer interactions across multiple channels, including websites, mobile apps, social media, and physical stores. Retailers invest in integrated systems, data analytics, and customer relationship management (CRM) tools to deliver personalized experiences and drive customer loyalty across all touchpoints.

8. **Customer Relationship Management (CRM)**: Customer relationship management is a key component of the supply chain business process in retailing management. Retailers use CRM systems to capture customer data, analyze purchasing behavior, and personalize marketing communications and promotions. Effective

CRM strategies focus on building customer loyalty, increasing repeat purchases, and enhancing overall customer satisfaction through targeted engagement and personalized experiences.

9. **Post-sales Service and Support**: The supply chain business process extends beyond the point of sale to include post-sales service and support. Retailers provide customer support, warranty services, product returns, and repairs to address customer inquiries and resolve issues promptly. Effective post-sales support enhances customer satisfaction, builds brand loyalty, and contributes to long-term customer relationships.

10. **Continuous Improvement and Optimization**: Continuous improvement and optimization are ongoing processes in retail supply chain management. Retailers analyze performance metrics, identify inefficiencies, and implement process improvements to enhance supply chain agility, responsiveness, and cost-effectiveness. Continuous optimization efforts focus on leveraging technology, data analytics, and best practices to drive operational excellence and maintain a competitive edge in the retail marketplace.

In summary, the supply chain business process in retailing management encompasses various interconnected steps aimed at efficiently sourcing, producing, distributing, and delivering products to customers while maximizing value and minimizing costs throughout the supply chain. Effective supply chain management is essential for retailers to meet customer expectations, drive business growth, and maintain competitiveness in a rapidly evolving retail environment.

Identify various Components of supply chain management in retailing sector.

Supply chain management in the retailing sector involves the coordination of various components and activities aimed at sourcing, producing, distributing, and delivering products to customers efficiently and effectively. Here are the key components of supply chain management in the retailing sector:

1. **Sourcing and Procurement**: Sourcing and procurement involve identifying suppliers, negotiating contracts, and procuring raw materials, components, or finished goods needed to meet customer demand. Retailers must ensure the reliability, quality, and cost-effectiveness of their supply sources to maintain profitability and meet customer expectations.

2. **Inventory Management**: Inventory management encompasses the processes and systems used to track, control, and optimize inventory levels throughout the supply chain. Retailers must manage inventory levels, track stock movements, and optimize warehouse space to ensure adequate product availability while minimizing holding costs, stockouts, and obsolescence.

3. **Warehousing and Distribution**: Warehousing and distribution involve the storage, handling, and transportation of products from suppliers or manufacturing facilities to distribution centers, retail stores, or directly to customers. Retailers manage warehousing operations to optimize space utilization, streamline order fulfillment processes, and ensure timely and accurate delivery of products to end customers.

4. **Order Fulfillment and Logistics**: Order fulfillment and logistics encompass the processes involved in fulfilling customer orders, including order processing, picking, packing, and shipping. Retailers leverage logistics partners, transportation networks, and fulfillment centers to deliver products to customers efficiently and cost-effectively while minimizing delivery times and transportation costs.

5. **Supply Chain Planning and Forecasting**: Supply chain planning and forecasting involve predicting future demand, allocating resources, and optimizing supply chain activities to meet customer needs effectively. Retailers use demand forecasting models, data analytics, and market insights to anticipate demand fluctuations, optimize inventory levels, and align supply chain operations with business objectives.

6. **Supplier Relationship Management (SRM)**: Supplier relationship management focuses on building and maintaining strong relationships with suppliers to ensure a reliable and responsive supply chain. Retailers collaborate with suppliers to improve product quality, reduce lead times, and foster innovation through effective communication, collaboration, and partnership agreements.

7. **Demand Planning and Management**: Demand planning and management involve understanding customer demand patterns, preferences, and trends to optimize inventory levels and production schedules. Retailers analyze historical sales data, market trends, and customer feedback to develop accurate demand forecasts, align inventory levels with anticipated demand, and minimize stockouts or excess inventory.

8. **Omni-channel Integration**: Omni-channel integration involves seamlessly integrating online and offline sales channels to provide

customers with a unified shopping experience. Retailers synchronize inventory, pricing, promotions, and customer interactions across multiple channels, including websites, mobile apps, social media, and physical stores, to deliver consistent and personalized experiences to customers.

9. **Reverse Logistics and Returns Management**: Reverse logistics and returns management involve managing the flow of products, materials, and information in the reverse direction, from the end customer back to the retailer or manufacturer. Retailers handle product returns, exchanges, repairs, and recycling to minimize waste, recover value from returned products, and maintain customer satisfaction.

10. **Performance Measurement and Continuous Improvement**: Performance measurement and continuous improvement involve monitoring key performance indicators (KPIs), analyzing supply chain performance, and implementing process improvements to enhance efficiency, productivity, and customer satisfaction. Retailers use metrics such as on-time delivery, inventory turnover, and order accuracy to identify areas for improvement and drive operational excellence in the supply chain.

In summary, supply chain management in the retailing sector encompasses various components and activities aimed at optimizing efficiency, reducing costs, and delivering value to customers throughout the supply chain. Effective supply chain management is essential for retailers to meet customer expectations, drive business growth, and maintain competitiveness in a rapidly evolving retail environment.

Utilize Supply chain management network structure in retailing with a suitable example.

In retailing, the supply chain management network structure refers to the configuration of relationships, processes, and entities involved in sourcing, producing, and delivering products to customers. Different types of supply chain management network structures exist, ranging from centralized to decentralized models, depending on factors such as industry dynamics, market requirements, and organizational capabilities. Let's explore a suitable example of a supply chain management network structure in retailing:

Example: Fast Fashion Retailer Supply Chain

Fast fashion retailers, such as Zara, H&M, and Uniqlo, operate with a unique supply chain management network structure designed to meet the demands of rapidly changing consumer preferences, short product lifecycles, and global sourcing requirements.

1. **Centralized Design and Control**: Fast fashion retailers typically have a centralized design and control structure for their supply chain operations. Design decisions, product assortments, and production schedules are centrally managed to ensure consistency, alignment with brand objectives, and responsiveness to market trends.

2. **Global Sourcing and Production**: Fast fashion retailers source raw materials, components, and finished goods from suppliers and manufacturers located in various regions worldwide. They leverage

global sourcing networks to access cost-effective materials, flexible production capacity, and specialized capabilities to meet customer demand and maintain competitive pricing.

3. **Decentralized Distribution and Fulfillment**: Fast fashion retailers employ a decentralized distribution and fulfillment model to enable quick response times and efficient order processing. They operate multiple distribution centers strategically located near key markets to minimize transportation costs, reduce delivery times, and optimize inventory allocation based on demand patterns and sales forecasts.

4. **Just-in-Time Inventory Management**: Fast fashion retailers practice just-in-time inventory management to minimize inventory holding costs and respond rapidly to changing customer preferences. They maintain lean inventory levels, frequent replenishment cycles, and flexible production schedules to ensure product availability while minimizing excess inventory and markdowns.

5. **Vertical Integration and In-house Production**: Some fast fashion retailers, such as Zara, adopt a vertically integrated supply chain model by owning and operating their production facilities. Vertical integration enables greater control over the production process, shorter lead times, and enhanced responsiveness to market trends, allowing retailers to introduce new designs and styles quickly.

6. **Technology and Data-driven Insights**: Fast fashion retailers leverage technology and data-driven insights to optimize supply chain operations, enhance decision-making, and improve efficiency. They

invest in advanced forecasting tools, inventory management systems, and supply chain analytics to analyze sales data, predict demand, and optimize inventory allocation across distribution channels.

7. **Collaborative Partnerships**: Fast fashion retailers foster collaborative partnerships with suppliers, manufacturers, and logistics providers to enhance supply chain agility and responsiveness. They establish close relationships with key partners, share information, and collaborate on product development, sourcing, and logistics to drive innovation, reduce lead times, and improve supply chain performance.

In summary, fast fashion retailers operate with a unique supply chain management network structure characterized by centralized design and control, global sourcing and production, decentralized distribution and fulfillment, just-in-time inventory management, vertical integration, technology-driven insights, and collaborative partnerships. This network structure enables fast fashion retailers to meet the demands of rapidly changing consumer preferences, maintain agility and responsiveness, and drive competitive advantage in the dynamic retail market.

MODULE-V

Critically outline the qualifications which a buying team must possess and also layout the various steps involved in merchandise planning.

Qualifications for Buying Team in Retail:

1. **Analytical Skills**: Members of the buying team should possess strong analytical skills to interpret sales data, market trends, and consumer behavior. They need to analyze sales performance, identify patterns, and make data-driven decisions to optimize product assortments and maximize profitability.

2. **Market Knowledge**: A thorough understanding of market dynamics, industry trends, and competitor strategies is essential for buying team members. They should stay informed about market developments, competitor offerings, and emerging trends to anticipate changes in consumer preferences and make informed buying decisions.

3. **Negotiation Skills**: Buying team members need strong negotiation skills to secure favorable terms and pricing from suppliers and vendors. They should be adept at negotiating contracts, pricing agreements, and promotional deals to optimize margins and ensure competitive pricing for customers.

4. **Product Knowledge**: A deep understanding of product categories, brands, and merchandise assortments is crucial for buying team members. They should be familiar with product specifications, features, and benefits to make informed buying decisions, assess product quality, and meet customer expectations.

5. **Financial Acumen**: Buying team members should possess financial acumen to manage budgets, forecast sales, and analyze profitability metrics. They should understand profit margins, inventory turnover ratios, and key performance indicators to evaluate product performance and optimize financial performance.

6. **Creativity and Innovation**: Creativity and innovation are valuable qualities for buying team members to identify new product opportunities, differentiate assortments, and drive product innovation. They should explore new trends, concepts, and product categories to enhance the retail offering and maintain relevance in the market.

7. **Communication Skills**: Effective communication skills are essential for buying team members to collaborate with internal stakeholders, suppliers, and vendors. They should communicate product strategies, negotiate terms, and address issues effectively to ensure alignment and achieve business objectives.

8. **Project Management Skills**: Buying team members should possess project management skills to coordinate cross-functional initiatives, manage timelines, and ensure timely execution of merchandising plans. They should prioritize tasks, allocate resources, and monitor progress to achieve merchandising goals and meet deadlines.

9. **Decision-Making Ability**: Buying team members must have strong decision-making ability to assess risks, evaluate alternatives, and make timely decisions under pressure. They should weigh factors such as consumer demand, supplier capabilities, and financial

implications to make informed buying decisions that drive business results.

10. **Customer Focus**: A customer-centric mindset is essential for buying team members to understand customer needs, preferences, and shopping behaviors. They should prioritize customer satisfaction, gather feedback, and adapt merchandising strategies to meet evolving customer expectations and drive loyalty.

Steps Involved in Merchandise Planning:

1. **Sales Analysis**: Merchandise planning begins with analyzing historical sales data to identify trends, seasonality, and demand patterns. Retailers analyze sales performance by product category, SKU, store location, and time period to gain insights into product performance and customer preferences.

2. **Market Research and Trend Analysis**: Retailers conduct market research and trend analysis to identify emerging trends, competitor offerings, and consumer preferences. They gather insights from industry reports, trade publications, social media, and customer feedback to inform merchandise decisions and anticipate changes in market demand.

3. **Assortment Planning**: Assortment planning involves selecting the right mix of products, brands, and SKUs to meet customer needs and achieve sales targets. Retailers consider factors such as product category, price points, brand positioning, and seasonality to curate

assortments that appeal to target customers and align with brand objectives.

4. **Inventory Planning and Allocation**: Inventory planning involves determining optimal inventory levels, safety stock requirements, and replenishment strategies to support sales forecasts and minimize stockouts. Retailers allocate inventory to different store locations based on sales forecasts, store size, demographics, and historical performance to optimize inventory turnover and maximize sales.

5. **Open-to-Buy Management**: Open-to-buy management involves managing budgets, monitoring inventory levels, and adjusting purchasing plans to align with financial targets and inventory requirements. Retailers track open-to-buy budgets by merchandise category, season, and vendor to ensure that purchasing decisions remain within budget constraints and support sales objectives.

6. **Promotional Planning and Markdown Optimization**: Retailers develop promotional plans and markdown strategies to drive sales, clear excess inventory, and maximize profitability. They plan promotional events, discounts, and incentives based on seasonal trends, customer preferences, and competitive dynamics to optimize pricing and promotional effectiveness.

7. **Visual Merchandising and Presentation**: Visual merchandising involves presenting products in-store and online in a way that enhances their appeal and drives sales. Retailers design store layouts,

displays, and product presentations to create visually engaging shopping experiences, highlight key merchandise categories, and inspire customer purchases.

8. **Performance Monitoring and Analysis**: Merchandise planning is an iterative process that requires ongoing monitoring and analysis of sales performance, inventory levels, and customer feedback. Retailers track key performance indicators (KPIs), evaluate merchandising strategies, and make adjustments based on market dynamics and business objectives to optimize sales and profitability.

9. **Vendor Management and Relationship Building**: Retailers collaborate with vendors and suppliers to ensure product availability, quality, and reliability. They negotiate terms, manage vendor relationships, and assess vendor performance to foster collaboration, resolve issues, and drive mutual value creation.

10. **Seasonal and Trend Forecasting**: Retailers conduct seasonal and trend forecasting to anticipate changes in consumer preferences, market trends, and competitive dynamics. They gather insights from fashion shows, industry events, social media, and consumer research to forecast demand, plan assortments, and align merchandising strategies with emerging trends and customer expectations.

In summary, merchandise planning is a comprehensive process that involves analyzing sales data, conducting market research, curating assortments, managing inventory, optimizing promotions, and monitoring performance to drive sales and profitability in retailing. Effective merchandise planning requires collaboration across functional areas, data-driven insights, and a customer-centric approach to meet consumer needs and achieve business objectives.

Demonstrate the most reliable sources of information for retailers and how are individual items selected

Retailers rely on a variety of sources of information to inform their decision-making processes and stay competitive in the marketplace. Here are some of the most reliable sources of information for retailers:

1. **Sales Data**: Sales data provides valuable insights into customer purchasing behavior, product performance, and revenue trends. Retailers analyze sales data by product category, SKU, store location, and time period to identify top-selling items, understand demand patterns, and optimize inventory management strategies.

2. **Market Research Reports**: Market research reports offer comprehensive analysis and forecasts of industry trends, consumer preferences, and market dynamics. Retailers leverage market research reports from reputable firms and industry associations to gain insights into market opportunities, competitive threats, and emerging trends that may impact their business.

3. **Consumer Surveys and Feedback**: Consumer surveys and feedback provide retailers with direct insights into customer preferences, shopping habits, and satisfaction levels. Retailers conduct surveys, gather feedback through online reviews, and engage

with customers through social media channels to understand their needs, preferences, and expectations.

4. **Competitor Analysis**: Competitor analysis involves monitoring competitors' strategies, product offerings, pricing strategies, and promotional activities. Retailers track competitor performance, conduct SWOT analyses, and benchmark against industry peers to identify competitive strengths, weaknesses, and opportunities for differentiation.

5. **Trade Publications and Industry Blogs**: Trade publications and industry blogs offer valuable insights, best practices, and thought leadership on retail trends, technology innovations, and industry developments. Retailers subscribe to trade publications, attend industry conferences, and follow industry blogs to stay informed about the latest trends and innovations shaping the retail landscape.

6. **Supplier and Vendor Relationships**: Suppliers and vendors serve as valuable sources of information for retailers, providing insights into product availability, sourcing options, and market trends. Retailers collaborate with suppliers, attend trade shows, and engage in joint business planning to gain insights into product trends, negotiate terms, and develop strategic partnerships.

7. **Government and Regulatory Agencies**: Government and regulatory agencies provide retailers with information on regulatory compliance, industry standards, and consumer protection laws. Retailers stay informed about regulatory changes, industry guidelines,

and compliance requirements relevant to their business operations to mitigate risks and ensure legal compliance.

8. **Financial and Economic Indicators**: Financial and economic indicators, such as GDP growth, consumer confidence, and inflation rates, provide retailers with insights into macroeconomic trends and consumer spending patterns. Retailers monitor economic indicators, analyze consumer sentiment, and adjust pricing and marketing strategies accordingly to capitalize on growth opportunities and mitigate risks during economic downturns.

Individual items are selected by retailers based on a combination of factors, including customer demand, market trends, supplier availability, pricing considerations, and strategic objectives. Here's how individual items are typically selected:

1. **Demand Analysis**: Retailers analyze historical sales data, consumer trends, and market research to identify product categories and items with high demand potential. They consider factors such as seasonality, geographic location, and demographic preferences to curate assortments that resonate with target customers.

2. **Supplier Relationships**: Retailers work closely with suppliers and vendors to source products that meet quality standards, pricing requirements, and delivery timelines. They evaluate supplier capabilities, negotiate terms, and collaborate on product selection to ensure a diverse and competitive product assortment.

3. **Profitability Analysis**: Retailers assess the profitability of individual items based on factors such as gross margin, inventory turnover, and contribution to overall sales. They analyze the cost of goods sold, pricing strategies, and promotional discounts to optimize product margins and maximize profitability.

4. **Trend Forecasting**: Retailers leverage trend forecasting, market research, and consumer insights to identify emerging trends and anticipate shifts in consumer preferences. They monitor fashion trends, design innovations, and cultural influences to introduce new products and capitalize on market opportunities.

5. **Merchandising Strategies**: Retailers develop merchandising strategies that align with brand positioning, customer preferences, and market trends. They consider factors such as product placement, visual presentation, and cross-selling opportunities to create compelling product assortments that drive sales and enhance the shopping experience.

6. **Customer Feedback and Reviews**: Retailers gather feedback from customers through surveys, reviews, and social media channels to understand their preferences, address complaints, and identify opportunities for product improvement. They use customer feedback to refine product assortments, introduce new features, and enhance overall customer satisfaction.

In summary, retailers rely on a combination of reliable sources of information and strategic considerations to select individual items that meet customer demand, align with market trends, and support business objectives. By leveraging data-driven insights, supplier relationships, trend forecasting, and customer feedback, retailers can optimize product assortments, drive sales, and maintain competitiveness in the dynamic retail landscape.

Determine the approaches/methods of developing merchandising plan and how can it be develop

Developing a merchandising plan involves strategically selecting and managing the assortment of products offered by a retailer to meet customer needs, achieve sales targets, and maximize profitability. There are several approaches and methods that retailers can use to develop a merchandising plan effectively:

1. **Market Segmentation Analysis**: Retailers conduct market segmentation analysis to identify distinct customer segments with unique needs, preferences, and shopping behaviors. They analyze demographic, psychographic, and behavioral data to segment customers based on factors such as age, gender, income, lifestyle, and purchasing habits. Retailers tailor merchandising plans to cater to the preferences and buying patterns of different customer segments, ensuring that product assortments resonate with target audiences and drive sales.

2. **Assortment Planning**: Assortment planning involves selecting the right mix of products, brands, and SKUs to meet customer demand and achieve sales objectives. Retailers consider factors such as product category, price points, brand positioning, and seasonality to curate assortments that appeal to target customers and align with

brand objectives. They analyze sales data, conduct trend analysis, and collaborate with suppliers to optimize product assortments and differentiate offerings in the marketplace.

3. **Sales Forecasting and Demand Planning**: Retailers use sales forecasting and demand planning techniques to predict future demand, allocate resources, and optimize inventory levels. They analyze historical sales data, seasonality trends, and market dynamics to develop accurate demand forecasts and anticipate changes in consumer preferences. Retailers align merchandising plans with sales forecasts, adjust inventory levels, and implement replenishment strategies to ensure product availability while minimizing stockouts and excess inventory.

4. **Category Management**: Category management involves grouping products into categories and managing each category as a strategic business unit. Retailers analyze category performance, assess market trends, and identify growth opportunities within each category to optimize assortment, pricing, and promotional strategies. They segment categories based on consumer needs, allocate space and resources accordingly, and collaborate with suppliers to develop category-specific merchandising plans that drive sales and profitability.

5. **Seasonal and Trend Analysis**: Retailers conduct seasonal and trend analysis to identify emerging trends, capitalize on seasonal demand patterns, and align merchandising plans with market trends. They monitor fashion trends, seasonal events, and cultural influences to introduce new products, refresh assortments, and create compelling merchandising displays that resonate with customers and drive

impulse purchases. Retailers leverage trend forecasting, market research, and consumer insights to stay ahead of competitors and maintain relevance in the marketplace.

6. **Cross-Functional Collaboration**: Developing a merchandising plan requires cross-functional collaboration and alignment across various departments, including merchandising, marketing, operations, and finance. Retailers collaborate with internal stakeholders to develop merchandising strategies, set sales targets, and allocate resources effectively. They leverage insights from marketing campaigns, operational capabilities, and financial performance metrics to inform merchandising decisions and ensure that plans are executed efficiently and cohesively.

7. **Merchandising Technology and Analytics**: Retailers leverage technology and analytics tools to support merchandising planning processes, optimize decision-making, and drive business results. They use merchandising software, data analytics platforms, and predictive modeling techniques to analyze sales data, identify trends, and simulate scenarios to evaluate the impact of merchandising strategies on sales and profitability. Retailers leverage technology-driven insights to make informed decisions, iterate on merchandising plans, and adapt to changing market dynamics effectively.

In summary, developing a merchandising plan involves a strategic and data-driven approach that integrates market segmentation analysis, assortment planning, sales forecasting, category management, seasonal and trend analysis, cross-functional collaboration, and merchandising technology. By leveraging these approaches and methods, retailers can optimize product assortments, drive sales, and enhance customer satisfaction in the dynamic retail landscape.

Evaluate in detail the steps involved in developing an assortment plan

Developing an assortment plan is a critical aspect of retail merchandising that involves selecting and managing the mix of products offered to customers. It requires careful analysis of market trends, customer preferences, and sales data to ensure that the assortment meets customer needs, drives sales, and maximizes profitability. Here are the detailed steps involved in developing an assortment plan:

1. **Market Analysis**:

- Identify target market segments: Understand the demographics, psychographics, and purchasing behaviors of the target customer segments.

- Analyze market trends: Research industry trends, consumer preferences, and competitive offerings to identify opportunities and threats in the market.

- Assess market demand: Determine the demand for different product categories and identify emerging trends that may impact customer preferences.

2. **Sales Data Analysis**:

- Review historical sales data: Analyze sales performance by product category, SKU, store location, and time period to identify top-selling items, seasonal trends, and demand patterns.

- Identify best and worst performers: Identify products with high sales velocity and those with low turnover rates to prioritize assortment decisions and allocation of resources.

- Segment products: Group products into categories based on performance metrics, profitability, and customer demand to facilitate assortment planning and analysis.

3. **Customer Insights and Feedback**:

- Gather customer feedback: Solicit feedback through surveys, focus groups, and social media channels to understand customer preferences, shopping habits, and product expectations.

- Analyze customer data: Use customer analytics tools to analyze purchase history, shopping behavior, and product preferences to identify trends and opportunities for assortment optimization.

- Segment customers: Segment customers based on demographics, buying frequency, and purchasing preferences to tailor assortments and promotions to specific customer segments.

4. **Assortment Planning**:

- Define assortment objectives: Establish clear goals and objectives for the assortment plan, such as increasing sales, expanding market share, or targeting new customer segments.

- Determine product mix: Select the mix of products, brands, and SKUs to include in the assortment based on customer demand, market trends, and competitive positioning.

- Consider pricing strategies: Evaluate pricing strategies and price points to ensure that the assortment is competitive in the market while maximizing profitability.

- Balance assortment breadth and depth: Balance the breadth (variety of product categories) and depth (range of options within each category) of the assortment to meet customer needs and preferences.

- Plan for seasonality: Anticipate seasonal fluctuations in demand and adjust the assortment plan accordingly to capitalize on seasonal trends and maximize sales opportunities.

5. **Vendor Selection and Management**:

- Identify preferred vendors: Identify and evaluate potential suppliers and vendors based on factors such as product quality, reliability, pricing, and terms.

- Negotiate terms: Negotiate favorable terms, pricing agreements, and contractual terms with suppliers to optimize margins and ensure timely delivery of products.

- Establish partnerships: Build strong relationships with key vendors and suppliers to foster collaboration, address issues proactively, and capitalize on sourcing opportunities.

6. **Inventory Management**:

- Set inventory targets: Determine optimal inventory levels, safety stock requirements, and replenishment strategies based on sales forecasts, lead times, and seasonality.

- Monitor inventory turnover: Track inventory turnover ratios, aging inventory, and stock levels to optimize inventory management and minimize carrying costs.

- Implement inventory control measures: Implement inventory control measures such as SKU rationalization, markdown optimization, and inventory replenishment to manage inventory effectively and minimize stockouts and excess inventory.

7. **Merchandising and Visual Presentation**:

- Develop merchandising strategies: Develop merchandising strategies and display techniques to showcase products effectively, drive customer engagement, and stimulate impulse purchases.

- Create visual displays: Design visually appealing displays, signage, and promotional materials to highlight key products, communicate value propositions, and enhance the overall shopping experience.

- Rotate assortments: Rotate assortments and refresh product displays regularly to maintain customer interest, introduce new products, and capitalize on seasonal trends.

8. **Performance Monitoring and Optimization**:

- Track performance metrics: Monitor key performance indicators (KPIs) such as sales performance, inventory turnover, and customer satisfaction to evaluate the effectiveness of the assortment plan.

   - Analyze sales trends: Analyze sales trends, product performance, and customer feedback to identify opportunities for assortment optimization and refinement.

   - Iterate and adjust: Continuously iterate on the assortment plan based on market dynamics, customer feedback, and performance data to optimize sales, profitability, and customer satisfaction.

In summary, developing an assortment plan involves a comprehensive and data-driven approach that integrates market analysis, sales data analysis, customer insights, assortment planning, vendor management, inventory management, merchandising, and performance monitoring. By following these steps, retailers can develop assortments that meet customer needs, drive sales, and maintain competitiveness in the retail marketplace.

Develop various important key channels involved in merchandise management with a suitable example.

Merchandise management involves the strategic planning, acquisition, allocation, and optimization of products to meet customer demand and achieve business objectives. Key channels involved in merchandise management include sourcing, procurement, inventory management, distribution, and retail operations. Here's an overview of each channel along with a suitable example:

1. **Sourcing and Procurement**:

   - **Definition**: Sourcing and procurement involve identifying suppliers, negotiating contracts, and procuring products or raw materials needed for retail operations.

   - **Example**: A clothing retailer sourcing cotton fabric from textile manufacturers in India to produce its clothing line.

2. **Inventory Management**:

   - **Definition**: Inventory management involves managing stock levels, tracking inventory movements, and optimizing inventory turnover to ensure product availability while minimizing carrying costs.

   - **Example**: A grocery store using inventory management software to track stock levels of perishable and non-perishable goods, optimize reorder points, and minimize stockouts.

3. **Distribution and Logistics**:

   - **Definition**: Distribution and logistics encompass the storage, handling, and transportation of products from suppliers or warehouses to retail stores or end customers.

   - **Example**: A global e-commerce company utilizing a network of distribution centers and third-party logistics providers to fulfill customer orders and ensure timely delivery across multiple regions.

4. **Retail Operations**:

   - **Definition**: Retail operations involve managing store operations, merchandising displays, and delivering a positive shopping experience to customers.

- **Example**: A department store optimizing store layouts, visual merchandising, and customer service initiatives to enhance the in-store shopping experience and drive sales.

5. **Demand Planning and Forecasting**:

- **Definition**: Demand planning and forecasting involve predicting future demand for products, optimizing inventory levels, and aligning supply chain activities with customer demand.

- **Example**: A consumer electronics retailer using historical sales data, market trends, and seasonality patterns to forecast demand for smartphones and tablets and adjust inventory levels accordingly.

6. **Supplier Relationship Management (SRM)**:

- **Definition**: Supplier relationship management focuses on building and maintaining strong relationships with suppliers to ensure reliable and responsive supply chain operations.

- **Example**: A fast-food restaurant chain collaborating closely with food suppliers to ensure consistent product quality, timely deliveries, and competitive pricing for ingredients and supplies.

7. **Omni-channel Integration**:

- **Definition**: Omni-channel integration involves seamlessly integrating online and offline sales channels to provide customers with a unified shopping experience.

- **Example**: A fashion retailer offering customers the option to purchase products online, reserve items for in-store pickup, or return online purchases in-store, creating a seamless omni-channel shopping experience.

8. **Merchandise Planning and Allocation**:

- **Definition**: Merchandise planning and allocation involve determining the right mix of products, allocating inventory to different store locations, and optimizing product assortments to meet customer demand.

- **Example**: A specialty retailer analyzing sales data, market trends, and customer preferences to develop seasonal merchandise plans and allocate inventory to stores based on sales forecasts and regional demand.

9. **Markdown Optimization**:

- **Definition**: Markdown optimization involves strategically reducing prices on slow-moving or excess inventory to stimulate sales and minimize losses.

- **Example**: A home improvement retailer implementing markdown optimization strategies to clear out seasonal inventory, reduce excess stock, and maximize revenue during off-peak periods.

10. **Post-sales Service and Support**:

- **Definition**: Post-sales service and support involve providing customer support, handling product returns, and addressing customer inquiries and issues.

- **Example**: An electronics retailer offering product warranties, repair services, and technical support to customers to ensure satisfaction and build brand loyalty.

In summary, merchandise management encompasses various channels and processes involved in sourcing, procurement, inventory management, distribution, retail operations, demand planning, supplier relationship management, omni-channel integration, merchandise planning, markdown optimization, and post-sales service. By effectively managing these channels, retailers can optimize product assortments, streamline operations, and enhance the overall customer experience.

Identify various types of merchandise in managing retail operations

In managing retail operations, retailers deal with a variety of merchandise categories to meet customer demand, drive sales, and achieve business objectives. Here are various types of merchandise commonly managed in retail operations:

1. **Apparel and Accessories**:

   - Includes clothing items such as shirts, pants, dresses, jackets, and outerwear.

   - Accessories may include hats, scarves, gloves, belts, handbags, wallets, and jewelry.

2. **Footwear**:

   - Includes shoes, boots, sandals, sneakers, and other types of footwear for men, women, and children.

3. **Home Goods and Decor**:

   - Includes furniture, bedding, pillows, curtains, rugs, lamps, wall art, and decorative accents for home decoration.

4. **Electronics and Appliances**:

   - Includes consumer electronics such as televisions, computers, laptops, tablets, smartphones, cameras, audio systems, and home appliances like refrigerators, washing machines, dryers, and dishwashers.

5. **Toys and Games**:

   - Includes a wide range of toys, games, puzzles, dolls, action figures, board games, educational toys, and outdoor play equipment for children of all ages.

6. **Health and Beauty Products**:

   - Includes skincare products, cosmetics, hair care products, grooming supplies, fragrances, vitamins, supplements, and personal care items.

7. **Groceries and Household Essentials**:

- Includes food and beverage items such as groceries, fresh produce, dairy products, canned goods, snacks, beverages, and household essentials like cleaning supplies, paper products, and toiletries.

8. **Sporting Goods and Outdoor Gear**:

- Includes sports equipment, athletic apparel, footwear, fitness accessories, outdoor gear, camping equipment, bicycles, and recreational products.

9. **Books, Music, and Media**:

- Includes books, magazines, newspapers, e-books, audiobooks, CDs, DVDs, Blu-rays, vinyl records, video games, and digital media content.

10. **Office Supplies and Stationery**:

- Includes office supplies such as paper, pens, pencils, notebooks, binders, file folders, desk accessories, and organizational products for home, school, and office use.

11. **Pet Supplies and Accessories**:

- Includes pet food, treats, toys, grooming supplies, pet beds, leashes, collars, cages, and other accessories for dogs, cats, birds, fish, and small animals.

12. **Seasonal and Holiday Merchandise**:

- Includes seasonal items such as holiday decorations, costumes, party supplies, seasonal apparel, gifts, and novelty items for various holidays and special occasions.

13. **Specialty and Niche Products**:

- Includes specialty items catering to specific interests, hobbies, or demographics, such as organic products, eco-friendly goods, artisanal crafts, and ethically sourced products.

14. **Luxury and Designer Goods**:

- Includes high-end luxury items, designer clothing, accessories, handbags, watches, jewelry, and premium branded products targeting affluent customers.

15. **Licensed Merchandise**:

- Includes products featuring licensed characters, brands, logos, and intellectual properties from popular franchises, movies, TV shows, sports teams, and entertainment properties.

These are just a few examples of the diverse range of merchandise categories managed in retail operations. Retailers tailor their merchandise assortments based on customer preferences, market trends, seasonal demand, and business objectives to optimize sales and enhance the overall shopping experience.

Summarize Various steps involved in designing a store layout.

Designing a store layout involves careful planning and consideration of various factors to create an inviting and efficient space that maximizes sales and enhances the shopping experience for customers. Here are the various steps involved in designing a store layout:

1. **Define Objectives and Goals**:

- Determine the objectives and goals of the store layout design, such as improving customer flow, increasing sales, highlighting key merchandise categories, or enhancing the overall ambiance.

2. **Understand Target Audience**:

- Understand the demographics, preferences, and shopping behaviors of the target audience to tailor the store layout to meet their needs and preferences.

3. **Analyze Space and Layout**:

- Assess the available space and layout of the store, including floor plan dimensions, ceiling height, architectural features, entrances/exits, and structural constraints.

4. **Create a Floor Plan**:

- Develop a floor plan that optimizes space utilization, traffic flow, and product visibility while adhering to zoning regulations and building codes.

- Consider factors such as aisle width, fixture placement, customer navigation paths, and designated areas for merchandise displays, checkout counters, fitting rooms, and restrooms.

5. **Plan Merchandise Placement**:

- Determine the placement of merchandise categories, product displays, and promotional zones based on customer traffic patterns, sales priorities, and seasonal trends.

- Group complementary products together and prioritize high-margin or high-demand items in prominent locations to drive sales and encourage impulse purchases.

6. **Create Visual Merchandising Displays**:

- Develop visual merchandising displays that showcase products effectively, highlight key features, and tell a compelling story to engage customers and stimulate interest.

- Use eye-catching signage, props, lighting, and color schemes to create focal points, draw attention to featured products, and create an immersive shopping environment.

7. **Consider Traffic Flow and Customer Experience**:

- Design the store layout to facilitate smooth traffic flow, minimize congestion, and create intuitive navigation paths for customers to explore different product areas.

- Ensure clear signage, directional cues, and wayfinding elements to guide customers through the store and enhance their overall shopping experience.

8. **Allocate Space for Customer Engagement**:

- Allocate dedicated space for customer engagement areas such as seating areas, interactive displays, product demonstration stations, or sampling stations to encourage customer interaction and promote brand engagement.

9. **Incorporate Flexibility and Adaptability**:

- Design the store layout with flexibility and adaptability in mind to accommodate changes in merchandise assortment, seasonal promotions, and evolving customer preferences.

- Use modular fixtures, movable displays, and versatile layout configurations that can be easily reconfigured or updated to meet changing needs and maximize space utilization.

10. **Test and Iterate**:

- Conduct pilot tests or mock store layouts to evaluate the effectiveness of the design in meeting objectives and addressing customer needs.

- Gather feedback from employees and customers, analyze sales performance metrics, and make adjustments as needed to optimize the store layout for maximum impact and effectiveness.

By following these steps, retailers can design a store layout that optimizes space utilization, enhances the shopping experience, and drives sales and customer engagement.

Explain the basic elements required for a store layout.

A store layout is the arrangement of various elements within a retail space to optimize customer flow, enhance product visibility, and drive sales. Several basic elements are essential for creating an effective store layout. These elements include:

1. **Entrance and Exterior Signage**:

- The entrance serves as the first point of contact with customers and sets the tone for their shopping experience.

- Exterior signage, including the store name, logo, and branding elements, helps attract attention and communicate the store's identity and offerings.

2. **Aisles and Pathways**:

- Aisles and pathways guide customers through the store and facilitate easy navigation between different product areas.

- Aisle width should be sufficient to accommodate customer traffic and allow for comfortable browsing without feeling crowded or cramped.

3. **Merchandise Displays and Fixtures**:

- Merchandise displays and fixtures are used to showcase products effectively and maximize visibility.

- Display fixtures include shelves, racks, tables, mannequins, and display cases strategically placed throughout the store to highlight featured merchandise and create focal points.

4. **Checkout Counters**:

- Checkout counters are located near the store exit and serve as the point of sale where customers complete their purchases.

- Checkout counters should be easily accessible, adequately staffed, and equipped with POS terminals, cash registers, and bagging areas.

5. **Fitting Rooms**:

- Fitting rooms provide customers with the opportunity to try on clothing and apparel before making a purchase.

- Fitting rooms should be conveniently located near the corresponding merchandise areas and equipped with mirrors, seating, and adequate lighting.

6. **Signage and Wayfinding**:

- Signage and wayfinding elements help customers navigate the store and locate specific product categories, departments, or services.

- Clear signage with easy-to-read fonts, directional arrows, and category labels improve the customer experience and reduce confusion.

7. **Product Placement and Grouping**:

- Products should be strategically grouped and arranged based on category, brand, or theme to facilitate browsing and encourage cross-selling.

- High-demand or high-margin items are often placed at eye level or in prominent locations to maximize visibility and drive sales.

8. **Visual Merchandising Displays**:

- Visual merchandising displays create visual interest and showcase products in an engaging and appealing manner.

- Displays may include window displays, end caps, feature walls, and thematic displays designed to attract attention and highlight seasonal promotions or new arrivals.

9. **Customer Engagement Areas**:

- Customer engagement areas provide opportunities for interaction, education, and brand immersion.

- These areas may include demonstration stations, sampling stations, product trial areas, or interactive displays designed to enhance the overall shopping experience.

10. **Restrooms and Amenities**:

- Restrooms and amenities such as seating areas, water fountains, and charging stations contribute to customer comfort and convenience.

- These facilities should be well-maintained, easily accessible, and clearly marked within the store layout.

By incorporating these basic elements into the store layout, retailers can create a welcoming and functional environment that encourages customer exploration, promotes sales, and fosters positive brand experiences.