**Unit – I Introduction**

**Retailing** is one of the oldest businesses of mankind and almost close to settled agriculture, as it origins can be traced back to the time when exchange of goods started taking place. Any exchange as in prehistoric times represent retailing as there was a direct interaction with the consumer. Any business to consumer interaction in the present context can be termed as retailing. Retailing therefore, encompasses all forms of direct marketing too, in its broader sense.

The word retailing is derived from the French word retailer, meaning ‘to cut a piece off’. A retailer is a person who specializes in selling certain types of goods / services to consumers for their personal use. Retailing is the business of buying goods in large quantities from a manufacturer or a wholesaler and then selling these products and services to consumer for fulfilling their personal or family needs. A retailer is, in fact, the final link in the distribution channel connecting the manufacturer with the consumer. In the chain of distribution of goods from the producer / manufacturer to the consumer, the retailer plays an extremely crucial role. It is at the retail store that the consumer actually gets the opportunity to choose the products and brands that he wishes to buy. Hence it is always the retailer who best knows the specific needs of the consumer and who can accurately and successfully monitor the changes in consumer demands from time to time. In fact, retailing, which is responsible for matching the individual demands of the consumer with supplies of all the manufacturers, has made a significant contribution to the economic prosperity that we enjoy so much.

Retailing management is a business in itself as it embodies all the functional areas in business. Successful running of a retail business is not possible without understanding all the major sub – disciplines of management namely operations management, financial management, information technology, human resources management and marketing management. As retailing is a consumer interfacing activity and acts as a last link in the supply chain, it is where data generated about the consumers and about products and services could be of immense help for members across the supply chain. The retail marketing dimension is the face of retail management that is visible to the consumers. All the efforts of the retailer to manage his retail business are to finally attract consumers to his store and make them buy more and stay with him.

Retailing consists of the final activity and steps needed to place merchandise made elsewhere into the hands of the consumer or to provide services to the consumer.

**Retail** consists of the [sale](http://en.wikipedia.org/wiki/Sales) of physical goods or merchandise from a fixed location, such as a [department store](http://en.wikipedia.org/wiki/Department_store), [boutique](http://en.wikipedia.org/wiki/Boutique) or [kiosk](http://en.wikipedia.org/wiki/Kiosk), or by [mail](http://en.wikipedia.org/wiki/Mail), in small or individual lots for direct [consumption](http://en.wikipedia.org/wiki/Consumption_%28economics%29) by the purchaser. In [commerce](http://en.wikipedia.org/wiki/Commerce), a "retailer" buys goods or [products](http://en.wikipedia.org/wiki/Product_%28business%29) in large quantities from [manufacturers](http://en.wikipedia.org/wiki/Manufacturing) or [importers](http://en.wikipedia.org/wiki/Import), either directly or through a [wholesaler](http://en.wikipedia.org/wiki/Wholesale), and then sells smaller quantities to the [end-user](http://en.wikipedia.org/wiki/End-user). Retail establishments are often called shops or stores. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a [public utility](http://en.wikipedia.org/wiki/Public_utility), like [electric power](http://en.wikipedia.org/wiki/Electric_power). [Shopping](http://en.wikipedia.org/wiki/Shopping) generally refers to the act of [buying](http://en.wikipedia.org/wiki/Trade) products. Sometimes this is done to obtain necessities such as food and clothing; sometimes it is done as a [recreational](http://en.wikipedia.org/wiki/Recreation) activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing and does not always result in a purchase.

**Advent of Retailing**

Times have changed radically since the housewife slipped her shopping bag over her arm and set out for her daily food supply, today the general store, stacked with barrels, bins and sacks filled with everything from soaps to pickles, has all but disappeared almost throughout the world. And in its place we find the more refined self-service ‘cash & carry’ organized retail stores in the form of supermarkets, department stores, shopping malls and the like. These stores signified the beginning of ‘organized retailing’ and its evolution across the world. Thus, this is the story of a revolution – a revolution in the shopping habits of the people across the entire world, which has virtually brought the supermarket to the main street. Retailing was never as it is seen today. It is believed that the first true department store to the shopping mall as it exists today. It is believed that the first true department store in the world was founded in Paris in 1852 by Aristide Boucicault and was named Bon Marche. It was only after World War II that retailers in the west began to upgrade their services, facilities and merchandise selection to offer a fascinating array of additional benefits to consumers through organized retailing.

From the very inception of their business, retailers have been involved in international trade, with their involvement primarily centering on the procurement of merchandize. Today, however, retailers from all over the world are venturing beyond their own borders to establish stores even in other countries. In fact, the business of retailing can clearly be defined as a global business. Many retailers have realized this and have therefore made international expansion an integral part of their overall strategy.

**Indian Retail- An Overview**

"India's strong growth fundamentals—9 percent real GDP growth in 2010; forecasted yearly growth of 8.7 percent through 2016; high saving and investment rates; fast labor force growth; and increased consumer spending—make for a very favorable retail environment and the 4th spot in the GRDI. As has been the case for several years, Indian consumers continue to urbanize, have more money to spend on non-food purchases, and have more exposure to brands. The result is a powerful, more discerning consumer class. India's population of nearly 1.2 billion—forecast eventually to overtake China's—also is an attractive target."

The total retail sales in India will grow from US$ 395.9 billion in 2011 to US$ 785.1 billion by 2015, according to the BMI India Retail report for the third quarter of 2011. The greater availability of personal credit and a growing vehicle population providing improved mobility also contribute to a trend towards annual retail sales growth of 12.2 per cent. Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment.

**Organized Retail Sector**

Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

The growth in the overall retail market will be driven largely by the explosion in the organized retail sector. Domestic retailers such as Reliance Retail and Pantaloon Retail continue to invest heavily in increasing their store networks and improving in-store offerings, and the impact they have on growth will be boosted by the arrival of expansion-orientated multinationals.

**Unorganized Retail Sector**

Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called "unorganized retail" or traditional retail. The last 3-4 years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities.

**Employment in the Retail Sector**

Retail is a labour-intensive economic activity. According to the Economic Census carried out by the CSO in 2005, the country had a total of 14.9 million enterprises engaged in retail trade, of which 7.78 million were in the rural areas and 7.2 million in the urban areas. The total employment in these enterprises in 2005 was 25.1 million of which 11.5 million was in the rural sector and 13.7 million in the urban sector.

Major Formats of In-Store Retailing

|  |  |  |
| --- | --- | --- |
| ***Format*** | ***Description*** | ***The Value Proposition*** |
| Branded Stores | Exclusive showrooms either owned or franchised out by a manufacturer. | Complete range available for a given brand, certified product quality  |
| Specialty Stores | Focus on a specific consumer need, carry most of the brands available | Greater choice to the consumer, comparison between brands is possible |
| Department Stores | Large stores having a wide variety of products, organized into different departments such as clothing, house wares, furniture, appliances, toys, etc. | One stop shop catering to varied/ consumer needs.  |
| Supermarkets | Extremely large self-service retail outlets | One stop shop catering to varied consumer needs |
| Discount Stores | Stores offering discounts on the retail price through selling high volumes and reaping economies of scale | Low Prices |
| Hyper- mart | Larger than a supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city | Low prices, vast choice available including services such as cafeterias. |
| Convenience stores | Small self-service formats located in crowded urban areas. | Convenient location and extended operating hours. |
| Shopping Malls | An enclosure having different formats of in-store retailers, all under one roof.  | Variety of shops available to each other.  |

***Retailers in India***

|  |  |
| --- | --- |
| ***Retailer*** | ***Stores*** |
| Pantaloon Retail | Big bazaar, Food bazaar *,* Hometown, furniture bazaar, collection-I*,*e-zone*,* shoe factory*,* Depot*,* Futurbazaar.com*,* Bowling co.  |
| K Raheja Group | Shopper's Stop, Crossword, Homes stop, Mother care.  |
| Tata Group | Westside, Star India Bazaar, Croma, Titan, Tanishq.  |
| RPG Group | Food world, Spencer's, Music World  |
| Landmark | Lifestyle, Home Centre, Landmark International, Max Retail, Fun city.  |
| Piramal Group | TruMart, Priamyd Megastore  |
| Reliance | Reliance Hyper-mart  |
| Aditya Birla Group | Louis Phillipe, Van Heusen, Allen Solly, Peter England, Trouser town.  |

**Functions of Retailers**

Retailers play a significant role as a conduit between manufacturers, wholesalers, suppliers and consumers. In this context, they perform various functions like sorting, breaking bulk, holding stock, as a channel of communication, storage, advertising and certain additional services.

**Sorting**

Manufacturers usually make one or a variety of products and would like to sell their entire inventory to a few buyers to redu7ce costs. Final consumers, in contrast, prefer a large variety of goods and services to choose from and usually buy them in small quantities. Retailers are able to balance the demands of both sides, by collection an assortment of goods from different sources, buying them in sufficiently large quantities and selling them to consumers in small units.

The above process is referred to as the sorting process. Through this process, retailers undertake activities and perform functions that add to the value of the products and services sold to the consumer. Supermarkets offer, on and average, 15,000 different items from 500 companies. Customers are able to choose from a wide range of designs, sizes and brands from just one location. If each manufacturer had a separate store for its own products, customers would have to visit several stores to complete their shopping. While all retailers offer an assortment, they specialize in types of assortment offered and the market to which the offering is made. Westside provides clothing and accessories, while a chain like Nilgiris specializes in food and bakery items. Shoppers’ Stop targets the elite urban class, while Pantaloons is targeted at the middle class.

**Breaking Bulk**

Breaking bulk is another function performed by retailing. The word retailing is derived from the French word retailer, meaning ‘to cut a piece off’. To reduce transportation costs, manufacturers and wholesalers typically ship large cartons of the product, which are then tailored by the retailers into smaller quantities to meet individual consumption needs.

**Holding Stock**

Retailers also offer the service of holding stock for the manufacturers. Retailers maintain an inventory that allows for instant availability of the product to the consumers. It helps to keep prices stable and enables the manufacturer to regulate production. Consumers can keep a small stock of products at home as they know that this can be replenished by the retailer and can save on inventory carrying costs.

**Additional Services**

Retailers ease the change in ownership of merchandise by providing services that make it convenient to buy and use products. Providing product guarantees, after-sales service and dealing with consumer complaints are some of the services that add value to the actual product at the retailers’ end. Retailers also offer credit and hire-purchase facilities to the customers to enable them to buy a product now and pay for it later. Retailers fill orders, promptly process, deliver and install products. Salespeople are also employed by retailers to answer queries and provide additional information about the displayed products. The display itself allows the consumer to see and test products before actual purchase. Retail essentially completes transactions with customers.

**Channel of Communication**

Retailers also act as the channel of communication and information between the wholesalers or suppliers and the consumers. From advertisements, salespeople and display, shoppers learn about the characteristics and features of a product or services offered. Manufacturers, in their turn, learn of sales forecasts, delivery delays, and customer complaints. The manufacturer can then modify defective or unsatisfactory merchandise and services.

**Transport and Advertising Functions**

Small manufacturers can use retailers to provide assistance with transport, storage, advertising and pre-payment of merchandise. This also works the other way round in case the number of retailers is small. The number of functions performed by a particular retailer has a direct relation to the percentage and volume of sales needed to cover both their costs and profits.

**Types of Retailers**

There are numerous types of retailers all over the world. From the small, independent grocery store to the highly sophisticated multi – level department stores, the number of retailers is absolutely unlimited. In the business of retailing, however, the type of retailer is identified and classified on the basis of the ‘store format’ that the respective retailers adopt.

A retail format is the type of retail mix that the retailer adopts, which includes the following factors:

1. **Instore Retailing**: In store retailing can be defined as retail establishment that offers a variety of product lines.

1. ***Department stores***: Large retail organizations characterized by wide product mixes and organized into separate departments to facilitate marketing efforts and internal management. Ex. Sears, JC Penny

2. ***Discount stores***: Self-service, general merchandise stores offering brand name and private brand products  at low price. Ex. Kmart, Wal-Mart

3. ***Supermarkets***: Large, self-service stores that carry a complete line of food products, along with some nonfood products. Ex. Big Bazaar

4. ***Superstores***: Giant retail outlets that carry food and nonfood products found in supermarkets, as well as most routinely purchased consumer products. Ex. Wal-Mart Supercenters

6. ***Hypermarkets***: Stores that combine supermarket and discount shopping in one location. Ex. Carrefour

7. ***Warehouse clubs***: Large-scale, members-only establishments that combine features of cash-and-carry .wholesaling with discount retailing. Ex. Sam's Club, Costco

8. ***Warehouse showrooms***: Retail facilities in large, low-cost buildings with large on-premise inventories and minimal services. Ex. Ikea

9. ***Specialty Retailers***: Also called “limited-line” and “single-line” retailers , Carry a narrow product mix with deep product lines (e.g., pet supplies) , Have higher costs and higher margins , Provide more product selection (first-line brands), product expertise, and high levels of personal service. Ex. Talbots

10. ***Off-Price Retailers***: Buy manufacturers’ seconds, overruns, returns, and off-season merchandise for resale to consumers at deep discounts, Charge less than department stores for comparable merchandise and offer few customer services

11. ***Category Killers***: Concentrate on a major product category and compete on the basis of low prices and product availability. Ex. Home Depot, Best Buy, Office Depot.

1. **Non Store Retailing**: The selling of products outside the confines of a retail facility.

1. ***Catalog Marketing***: A type of marketing in which an organization provides a catalog from which customers can make selections and place orders by mail, telephone, or the Internet

2. ***Direct-Response Marketing***: A type of marketing that occurs when a retailer advertises a product and makes it available through mail or telephone orders

3. ***Telemarketing***: The performance of marketing-related activities by telephone

4. ***Television Home Shopping***: A form of selling in which products are presented to television viewers, who can buy them by calling a toll-free number and paying with a credit card

5. ***Online Retailing***: Retailing that makes products available to buyers through computer connections.

***Classification of Retail Formats***

Direct Selling

Mail Order

Telemarketing

Automated Vending machines

***Form of Ownership***

Independent retailer

Chain retailer

Franchise

Leased departments

Consumer co-operatives

Banks

Car Rentals

Service contracts

Providers of various services

***Service Retailing***

***Non – Store Retailing***

***Merchandize Offered***

Convenience stores

Supermarkets

Hypermarkets

Specialty stores

Departmental stores

Off price retailers

Factory outlets

Catalogue showrooms

***Store Based Retailing***

**Customer Buying Behavior**

A key challenge faced by the retailer is creating products and services which would be successful in the market. An accurate understanding of consumer needs helps the retailer created a product that is likely to be successful in the market. Consumer understanding or an understanding of the consumer buying behavior is the starting point of strategy creation. It is not only important to understand what consumers know about a product, but also what they do not know. This helps in determining the channels of communication and the products that need to be created to cater to the needs of the customer.

 Retailers need to know the various influences that lead up to a purchase. This includes looking at a host of external and internal influences. The process starts with:

* Understanding how the need for a product / service was determined
* Understanding how information was sought by the customer
* The process of evaluation of various products and stores
* The payment process
* The post purchase behavior

 The buying process begins when customers recognize an unsatisfied need. Then they seek information about how to satisfy the need: what products might be useful and how they can be bought. Customer evaluates the various alternative sources of merchandize such as stores, catalogs, and the Internet. After evaluating the retailer’s merchandise offering, customers may make a purchase or go to another retailer to collect more information. Eventually, customers make a purchase, use the product, and then decide whether the product satisfies their needs. Customer involves in decision making during the time of purchasing the merchandise. Three types of customer decision – making processes are as follows:

1. **Extended Problem Solving**

 EPS is a purchase decision process in which customers devote considerable time and effort to analyze alternatives. Customers typically engage in extended problem solving when the purchase decision involves a lot of risk and uncertainty. There is much type of risks.

* Financial risks arise when customers purchase an expensive product.
* Physical risks are important when customers feel a product may affect their health or safety.
* Social risks arise when customers believe a product will affect how others view them.

 Consumers engage in EPS when they are making a buying decision to satisfy an important need or when they have little knowledge about the product or service. Due to high risk and uncertainty in these situations, customers go beyond their personal knowledge to consult with friends, family members, or experts.

Retailers influence customers engaged in EPS by providing necessary information in a readily available and easily understood manner and by offering money – back guarantees.

1. **Limited Problem Solving**

 LPS is a purchase decision process involving a moderate amount of effort and time. 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. The majority of customer decision making involves limited problem solving.

 One common type of LPS is impulse buying. Impulse buying is a buying decision made by customers on the spot after seeing the merchandize. Ex: - Maya’s decision to buy the scarf was an impulse purchase when she saw it for the first time in a store. Retailers encourage impulse buying behavior by using prominent displays to attract customer attention and stimulate a purchase decision based on little analysis.

1. **Habitual Decision Making**

 HDM is a purchase decision process involving little or no conscious effort. Today’s customers have many demands on their time. When a need arises, customers may automatically respond with, “I’ll buy the same thing I bought last time form the same store.” Typically, this HDM process is used when decisions are not very important to customers and involve familiar merchandise they have bought in the past. Brand loyalty and store loyalty are the examples of HDM.

**Consumer Behavior Model**

1. ***Stimulus*** involves a cue (external to the individual) or drives (internal to the individual). A cue is any object or phenomenon in the environment that is capable of eliciting a response. Common examples of retail marketing stimuli are advertisements, point – of – purchase displays, coupons, salespeople, and free samples. A drive is a motivating force that directs behavior. Drives can be physiologically based (hunger and he need to stay warm in the cold) or learned.
2. ***Problem Recognition*** occurs when the consumer’s desired state of affairs departs sufficiently from the actual state of affairs, placing the consumer in a state of unrest.
3. ***Problem Solving*** The next two stages in the consumer shopping / purchasing model – active information gathering and evaluation of alternatives – will determine the degree of problem solving that occurs. Individuals solve problems by searching for information and by evaluating their options or alternatives. The search for information and careful evaluation of alternatives occurs to reduce risk. If consumer do not select the best product, they can incur financial loss (financial risk), personal harm (safety risk), or decline of respect from family and friends (social risk). The amount of problem – solving activity consumers engage in varies considerably depending on their prior experience and the need to reduce financial, personal and social risks from various behavior models i.e. habitual problem solving, limited problem solving and extended problem solving.
4. ***Evaluation of Alternatives:*** Probably the most difficult step is to compare alternatives. The customer does not always adopt the rational process/ perceptions vary among consumers. Some customers are more rational than others, and judge products on the basis of attributes. Attributes refers to the characteristics of the store and its products and services. In fact, a store and its products and services can be thought of as a bundle or set of attributes, which can include such things as price, product quality, store hours, knowledgeable sales help, convenient parking, after – sales service and so on.
5. ***Purchase:*** based on information gathered and evaluated in the problem – solving stage, the consumer decides which product and retailer to choose. Of course, a possible outcome of the problem – solving stage is a decision not to buy or to delay the purchase. The purchase stage may include final negotiation, application for credit if necessary, and determination of the terms of purchase (cash, credit card etc.). Retailers often use the purchase stage as an opportunity to use suggestion selling to sell add – on or related products such as extended service warranties, batteries for toys, or impulse items.
6. ***Post –*** ***Purchase Evaluation:*** arises when after the purchase the consumer becomes dissatisfied with the product, service, or retailer and thus begins to regret that the purchase was made.

**Retail Strategy**

The word strategy comes from the Greek word meaning the “art of the general.” The growing intensity of retail competition due to the emergence of new formants and technology plus shifts in customer needs is forcing retailers to devote more attention to long – term strategic thinking. The term *strategy* is frequently used in retailing. For example, retailers talk about their merchandise strategy, promotion strategy, location strategy, and private brand strategy.

A retail strategy is a statement identifying (1) the retailer’s target market, (2)the format the retailer plans to use to satisfy the target market’s needs and (3) the bases upon which the retailer plans to build a sustainable competitive advantage. The **target market** is the market segment(s) toward which the retailer plans to focus its resources and retail mix. A **retail format** is the retailer’s mix (nature of merchandise and services offered, pricing policy, advertising and promotion program, approach to store design, visual merchandising and typical location). A sustainable competitive advantage is an advantage over competition that can be maintained over a long time.

**Growth Strategies**

Four types of growth opportunities that retailers may pursue are Market Penetration, Market Expansion, Retail Format Development, and Diversification. The vertical axis indicates the synergies between the retailer’s present markets and growth – opportunity markets – whether the opportunity involves markets the retailer is presently pursuing or new markets. The horizontal axis indicates the4 synergies between the retailer’s present retail mix and the growth – opportunity retail mix – whether the opportunity exploits the retailer’s present format or requires a new format.

1. ***Market Penetration***: A market penetration opportunity involves directing efforts toward existing customers by using the present retailing format. The retailer can achieve this growth strategy either by attracting consumers in its current target market who do not shop at its outlets or by devising strategies that induce current customers to visit a store more often or to buy more me4rchandise on each visit.

Approaches for increasing market penetration include attracting new customers by opening more stores in the target market and keeping existing stores open for longer hours.

1. ***Market Expansion***: This employs the existing retail format in new market segments. For example, A’s strategy is using a specialty store retail format to sell high fashion apparel to higher class men and women between ages 20 and 45. In a market expansion opportunity, the same specialty store format was directed toward a different segment family with children aged 6 to 18. International expansion involves entering a new geographic segment with a similar retail formats such as Nike, McDonalds, etc.
2. ***Retail Format Development***: this involves offering anew retail format – a format with a different retail mix – to the same target market. Retailer adding additional merchandise categories or altering the breadth and depth of assortment in its stores. Adjusting the type of merchandise or services offered typically involves a small investment; whereas providing an entirely different format, such as a store – based retailer going into electronic retailing, requires a much larger and riskier investment.
3. ***Diversification***: A diversification opportunity is when a retailer introduces a new retail format directed toward a market segment that is not currently served. The diversification may take place in the format, delivery mechanism and product assortments. Some companies diversify in such a manner that they change the business form one product or form to another product or form. For example, a cinema or a hotel business diversifying into health club or a supermarket is a complete diversification.

Diversification opportunities are either relate or unrelated. In a related diversification opportunity, the present target market or retail format share something in common with the new opportunity. In an unrelated diversification it lacks the commonality between the present business and the new business.

|  |  |
| --- | --- |
|  | ***TARGET MARKETS*** |
| ***RETAIL FORMAT*** |  | Existing | New |
| Existing | Market Penetration | Market Expansion |
| New | Retail Format Development | Diversification(Related / Unrelated) |

**Strategic Retail Planning Process**

 The term ‘strategy’ has become common place in corporate parlance today. A strategy in the commercial parlance would mean the plan or the method by which an organization wishes to achieve its objectives. Thus, a retail strategy can be defined as ‘a clear and definite plan that the retailer outlines to tap the market and build a long – term relationship with the consumers.’ A retail strategy is fundamental to the existence of the retail organization. It helps to define the organization, its purpose and how the retailer will face various challenges in the environment and market place. The following are the strategic retail planning process:-

1. **Define the Mission or the Purpose of the organization**

 The mission statement is a statement of the long – term purpose of the organization. It describes what the retailer wishes to accomplish in the markets in which it chooses to compete. A retailer’s mission statement normally highlights the following elements:

* The products and services that will be offered
* The customers who will be served
* The geographic areas that the organization chooses to operate in
* The manner in which the firm intends to compete in its chosen markets.

 Mission statements need to provide a clear sense of direction for the organization and often reflect an organization’s values or corporate culture.

1. **Conduct a Situation Analysis:**

 Once the mission has been defined, the retail organization needs to look inwards and understand what its strengths and weaknesses are and look outwards and analyze the opportunities and threats that may arise in the environment.

1. **Identifying options / strategic alternatives**

 After determining the strengths and weaknesses of the organization Vis – a – Vis the environment, the retailer needs to consider their various alternatives available to him for tapping a particular market. Mainly the retailer has to concentrate on the Growth Strategies i.e. Market Penetration, Market Expansion, Retail Format Development, and Diversification.

1. **Set Objectives:**

 The objectives are a translation of the mission statement into operational terms. They indicate the results to be achieved. The purpose of setting objectives is to give direction and set standards for the measurement of performance. Management normally sets both long-term and short-term objectives.

1. **Obtain and Allocate the Resources needed to Compete**

 The resources that a retailer needs are human as well as financial. Financial resources take care of the monetary aspects of the business like shop rent, salaries and payments for merchandize. Human resources are just as vital to the success of a retail operation as are financial resources and physical facilities. The human resources plan must be consistent with the overall strategy of the retail organization.

1. **Develop the Strategic Plan**

 At this stage, the retailer determines the strategy by which he will achieve the objectives set forth. The target market is defined and the retail mix that will serve the audience. The target market is the segment of the consumer market that the retail organization decides to serve. There is no definite or best way for deciding upon and selecting the target market in which to compete. In order to be successful in segmenting the market, the retailer must ensure that it is:

* Measurable – Is the segment measurable and identifiable?
* Accessible – will focusing marketing efforts on a particular market segment have a positive impact on eliciting the desired response?
* Economically viable – is the segmentation variable shared by enough potential customers to justify the expense and effort of focusing marketing efforts on that segment?
* Stable – are the consumer characteristic stable indicators of the market potential?
1. **Implement the Strategy, Evaluate and Control**

 The key to the success of any strategy lies in its implementation, to implement a firm’s desired positioning effectively, every aspect of the store must be focused on the target market. Once a strategy is implemented managers need feedback on the performance of the new strategy. The effectiveness of the long – term competitive strategy of the firm must be evaluated periodically.

 **Human Resource and Administration Strategy**

 Over the year, the function of human resources has evolved to being considered from a strategic perspective. The new economic paradigm signifies an increasing focus on intangible assets and intellectual capital, especially in case of industries like retail. The significance of the right environment at the work place, the opportunities for growth and the involvement of the organization in the development of its employees has, over the years, come to play a significant role in the type of talent that the company acquires and retains

 HRM as a concept has been widely accepted in most developed countries. Academics define HRM from different perspectives. ***Armstrong*** defines HRM as “*a strategic and coherent approach to the management of an organization’s most valued assets – people working there who individually and collectively contribute to the achievement of its objectives.”*

***Kleiman*** defines HRM as *“the organizational function that consists of practices that help the organization deal effectively with its people during the various phases of the employment cycle.”*

 HRM is the process of managing organizational employees in an effective way. To implement the management process, HRM cannot be separated from the HR practices, comprising selection and recruitment, training, rewarding, expatriate management, etc and general HR policies and procedures.

 While framing a human resources strategy, the various stakeholders have to be kept in mind. Stakeholders in a given enterprise may include owners, government, host communities, workers, labor unions and the managers themselves. The type of business that the company is in determines the characteristics that are required of the workforce. In retail, human resources operate at two levels. The first being the front end or the store level and other, the management or the back office level. In any retail organization, the people who deal with the customers at a one to one level are considered the face of the organization. Thus, people who work at the store level are important. Hiring the persons with the right attitude is important as in the case of mast retail stores; the employees need to work long hours, and also need to work when the rest of the people may be on a holiday, e.g., on Sundays or on occasions like Diwali, Christmas, etc. secondly the retailer needs to have the persons with the right skill sets taking care of functions like buying and merchandizing, as the product is the key in a retail set-up.

The human resource function in retail involves:

1. **Identifying various roles in the organization**

 The first step starts with the identification of the various tasks or jobs that need to be performed in the organization. This helps in determining the number of people required for various jobs, the skill set and educational background needed and the location where they are going to be based depending on the organization structure defined and the size of the retail operation. Key tasks in a typical retail organization involve:

* Buying and merchandizing
* Store management and operations, &
* Technology support.
1. **Recruitment and Selection**

 After determining the tasks to be performed within the organization, the jobs need to be categorized on the basis of the functional or geographical needs. The aim of the recruitment process is to make available job applicants for a specified job. Common ways of recruitment include newspaper advertisements, visit to college, existing employees, references, recruitment agencies and even websites. Once the applications are received, they are screened on the basis of parameters that are important to the retailer. This serves as the primary basis for acceptance or rejection of the candidate.

1. **Training**

 Training is an important aspect of human resource management in retail. Typically, in retail training needs arise at the following points:

* Induction of new persons / staff into the organization
* Training of sales staff, as they are the persons who are in direct contact with the customers
* Training of staff / personnel for skill enhancements.

 In retail, special importance is given to the training of sales staff as they are commonly termed as the face of the organization. Training for sales staff is usually in the following areas:

* Communication Skills
* Product Knowledge
* Company Policies on Returns
* Knowledge of the Workplace
* Market Awareness
* Personal Grooming
1. **Motivation**

 Success in a retail environment largely depends on the workforce. Given the kind of work hours and the pressures on performance, the retailer needs staff that is completely motivated. This is true for persons working within the organization as front – end sales staff as well as people working at the backend in the organization.

The key factors that help in motivating people are:

* The Organization Culture
* The Rewards and Recognition
* The Monetary Benefits and
* Prospects for Growth and Job Enrichment.
1. **Evaluation of employee performance.**

 The basis for performance evaluation is the goals that have been set. Goals, which are specific, tied to rewards, and voluntarily committed to by employees, many a times, work as a motivator to perform well.

 In a retail organization, the goals for performance would depend on the role performed by the individual. The goals set for a buyer or merchandiser would be different from those for the sales staff. For example, the sales staff may be evaluated on the basis of achievement of individual targets and departmental targets.

**Retail Organization Structures**

 The organizational structure of a retailing business can extremely differ, depending on its size and type. Nevertheless, most of the operating tasks are similar, although some responsibilities will be merged in small or independent stores. At the top of the organization is the owner, chief executive officer or president. Under him or her are the different divisions or sectors, namely store operations, marketing, merchandising, human relations, finance, and technology. The dynamics of the organization will change as the company expands and hires more staff. But the organization will remain solid and intact as long as the tasks are defined and designated properly.

 The organizational structure of a retail store will vary by the size and type of the business. Most tasks involved with operating a retail business will be the same. However, small or independent retail stores may combine many sectors together under one division, while larger stores create various divisions for each particular function along with many layers of management. For example, the small specialty shop may have all of its employees under one category called Store Operations. A large department store may have a complete staff consisting of a manager, assistant manager and sales associates for its Sporting Goods department, Home and Garden, Bed and Bath, and each additional department.

 In order to define the store's organization, start by specifying all tasks that need to be performed. Then divide those responsibilities among various individuals or channels. Group and classify each task into a job with a title and description. The final step is to develop an organizational chart.

The following is a brief outline of some of the divisions in a retail organization.

**Store Operations:** Management, Cashier, Sales, Receiving, Loss Prevention

**Marketing**: Visual Displays, Public Relations, Promotions

**Merchandising**: Planning, Buying, Inventory Control

**Human Relations**: Personnel, Training

**Finance**: Accounting, Credit

**Technology**: Information Technology

**Owner CEO or President**

As the store grows and the retail business evolves, the dynamics of the organization's structure will change too. Therefore it is paramount to redesign the store's organizational chart to support the decision-making, collaboration and leadership capabilities that are essential during and after a growth period.

**Unit – II Merchandizing and Pricing Strategies**

What is Merchandizing?

**Merchandising** is the methods, practices, and operations used to promote and sustain certain categories of commercial activity. In the broadest sense, merchandising is any practice which contributes to the sale of products to a retail consumer. At a retail in-store level, merchandising refers to the variety of products available for sale and the display of those products in such a way that it stimulates interest and entices customers to make a purchase. Merchandising can simply be termed as *the planning, buying and the selling of merchandize. The function of merchandising is an integral part of retailing and is also one of the most challenging functions as retailers often say, “goods well bought are half sold”*

The American Marketing Association has defined merchandising as ‘*the planning involved in marketing the right merchandise at the right place at the right time in the right quantities at the right price.’* Achieving these ‘Five Rights’ is the key to successful merchandising and many a times remains an indefinable goal for most retailers.

Grace Kunz has defined merchandising as the ‘*planning, developing and presenting of product lines for identified target markets with regard to pricing, assorting, styling and timing.’*

Merchandize management can be termed as the analysis, planning, acquisition, handling and control of the merchandize investments of a retail operation. The process of merchandise management includes developing strategies to ensure that the right product is bought at the right price and is available at the right place at the right time in the right amount to satisfy the needs of the target customer. Merchandising is the day-to-day business of all retailers. As inventory is sold, new stock needs to be purchased, displayed and sold. Hence, ***merchandising is often said to be the core of retail***

**The process of Merchandize Planning**

Planning can be multi – dimensional. The first dimension to be considered is the time span or the time hierarchy. This could start with the forecast for the year and then go down to the season, quarter, month, and week and at times, even a transactional level. The second level of planning would be at the location level, where the plan would first be created for all existing and new stores, then perhaps at the regional level, and then, it would move towards clustering of similar stores. Similarly the third dimension of planning would be at the merchandise hierarchy level, starting with the overall department level and then finally, coming down to the stock keeping unit level. The following are the steps for merchandise planning.

1. ***Developing the Sales Forecast***

Forecasting involves predicting what the consumer may do under a given set of conditions. A sales forecast may be made by the merchandiser based on the targets given by the top management or may be handed down by the top management itself, depending on the retail organization. A sales forecast is the first step in determining the inventory needs of the product or category. Forecasts are typically developed to answer the following questions:

* How much of each product will need to be purchased?
* Should new products be added to the merchandise assortment?
* What price should be charged for the product?

A sales forecast is usually made for a specific period of time, this may be weeks or a season or a year. A forecast may be short term or long term. The process of developing sales forecasts involves the following steps:

* Reviewing past sales
* Analyzing the changes in the economic conditions
* Analyzing the changes in the sales potential
* Analyzing the changes in the marketing strategies of the retail organization and the competition
* Creating the sales forecast.
1. ***Determining the Merchandise Requirements***

Planning is essential to provide direction and serve as a basis of control for any merchandise department. In order to be able to provide the right goods to the consumer at the right place and time, one needs to plan a course of action. Planning in merchandising is at two levels.

1. The creation of the merchandise budget, and
2. The assortment plan.

There are two methods of developing a merchandise plan. They are top down planning and bottom up planning. In top down planning, the top management works on the sales plan and this is passed down to the merchandising team. On the other hand, in bottom up planning, individual department managers work on the estimated sales projections. These are then added up to arrive at the total sales figures. After the sales forecasting exercise has been completed, inventory levels need to be planned. The merchandise budget is the first stage in the planning of merchandise. It is a financial plan, which gives an indication of how much to invest in product inventories, stated in monetary terms. The assortment plan on the other hand, details the merchandise that will be sold in each product category, i.e. the complete mix of products that will be made available to the consumer.

1. ***Merchandise control – the open to buy***

The purpose of the concept of open to buy is twofold. First, depending on the sales for the month and the reductions, the merchandise buying can be adjusted. Secondly, the planned relation between the stock and sales can be maintained. When used effectively, open to buy ensures that the buyer –

1. Limits overbuying and under buying
2. Prevents loss of sales due to unavailability of the required stock
3. Maintains purchases within the budgeted limits
4. Reduces markdowns which may arise due to excess buying.
5. ***Assortment Planning***

It is both extremely important and challenging for retailers. The term ‘assortment’ can be defined as ‘the combination of all products made available in a store’ and ‘a set of products offered within a product category.’ Assortment planning involves determining the quantities of each product that will be purchased to fit into the overall merchandise plan. Details of color, size, brand, materials etc. have to be specified. The main purpose of creating an assortment plan is to create a balanced assortment of merchandise for the customer.

Various factors affect the assortment planning process. The first among these factors is the type of merchandise that is to be stocked in the retail store. Merchandise may be classified as basic or staple merchandise, fashion, convenience or specialty goods.

**Sources of Merchandise**

The term sourcing means finding or seeking out products from different places, manufacturers or suppliers. The importance of sourcing in a retail environment can be understood from the fact that sourcing of merchandise is a key element of cost. In recent years, sourcing and supply management has emerged as one of the greatest focus areas in the retail business, for suppliers as well as for retailers. It enables the retailers to have winning products.

Having determined the type of merchandise to be stocked in the retail store, the merchandise then needs to either be manufactured or sourced. The process of merchandise sourcing starts with the identification of the sources of supply. The process of merchandise buying is a five – step process, which involves the following:

1. ***Identifying the Sources of Supply***: The first step in the process of sourcing is to identify the sources of supply. It needs to be decided at this time, whether the product will be sourced from the domestic market or from the international market.

Domestic sources of supply may be located by visiting central markets, trade shows or expositions. Usually, each city has its own central market where a large number of key suppliers are located. A visit to such a location enables the buyer to understand the trends in the market and to evaluate the new resources and merchandise.

In addition to buying from the domestic market, an organization may seek out foreign sources form where merchandise can be purchased or made. The prime reason for looking at international sourcing could be the uniqueness of the merchandise, or the unavailability of merchandise in the domestic market.

1. ***Contacting and Evaluation the Sources of Supply***: Contacting a source of supply may be as simple as having a representative visit the office and meet with the buyer and showcase a collection of the merchandise. This is often termed as a vendor initiated contact. The other method of contacting sources of supply is termed as retailer initiated contacts. This may be as simple as the buyer visiting the central market place. Central market places may be different for different products and would vary from city to city. A decision needs to be taken on the potential vendors. The following criteria need to be kept in mind:
* The target market for whom the merchandise is being purchased
* The image of the retail organization and the fit between the product and the image of the retail organization
* The merchandise and prices offered
* Terms and services offered by the vendor
* The vendor’s reputation and reliability
1. ***Negotiation with vendor***: The retail buyer then needs to negotiate the price, the delivery dates, the discounts, the shipping terms and possibilities of returns. While negotiating with vendors, it is necessary to keep in mind the vendor’s history, his goals and constraints. At the same time, the buyer needs to be aware of real deadlines and be able to work towards fulfilling them. The following are the types of discounts that could be available to the buyer.
* Trade Discounts: are the reductions in the manufacturer’s suggested retail price, granted to wholesaler or retailers.
* Chain Discounts: This is traditional manner of discounting, where a number of different discounts are taken sequentially from the suggested retail price.
* Quantity Discounts: These can be cumulative and non-cumulative; retailers earn quantity discounts by purchasing certain quantities over a specified period of time.
* Seasonal Discounts: This is an additional discount offered as an incentive to retailers to order merchandise in advance of the normal buying season.
* Cash Discounts: are the reductions in the invoice cots, for paying the invoice prior to the end of the discount period.
1. ***Establishing Vendor Relations***: Retailers have for long been wary of sharing information with their suppliers. Shared information is a vital component of this new approach, but only if the right information is shared with the right people, for the right reasons. The right people are those individuals or organizations who can use the information you give them to help you. To do this, the retailer needs to understand the importance of the trading relationship to both sides. The right information is information that the right people can actually use to give better service. Thus, to maintain strategic partnerships with vendors, the buyer needs to build on:
* Mutual Trust
* Open Communication
* Common Goals
* Credible Commitments
1. ***Analyzing Vendor Performance***: Each retailer will have his own criteria for the selection of vendors. The starting point maybe a vendor registration form, which provides details on address, preferred mode of payment, sales tax number etc. The retailer can draw conclusions on vendor performance by listing out the following:
* The total orders placed on vendor in a year
* The total returns to the vendor – the quality of merchandise
* The initial markup on the products
* The markdown, if any
* Participation of the vendor in various schemes and promotions
* Transportation expenses if borne by the retailer
* Cash discounts offered by the vendor and, lastly.
* The sales performance of the merchandise.

**Category Management**

**Category management** is a [retailing](http://en.wikipedia.org/wiki/Retailing) and [supply management](http://en.wikipedia.org/wiki/Supply_management) concept in which the range of products purchased by a business organization or sold by a retailer is broken down into discrete groups of similar or related products; these groups are known as product categories (examples of grocery categories might be: tinned fish, washing detergent, toothpastes). It is a systematic, disciplined approach to managing a product category as a strategic business unit. Each category is run as a "mini business" (business unit) in its own right, with its own set of turnover and/or [profitability](http://en.wikipedia.org/wiki/Profit_%28accounting%29) targets and [strategies](http://en.wikipedia.org/wiki/Strategies). Category management concept is a focus on a better understanding of consumer needs as the basis for retailers’ and suppliers’ strategies, goals and work processes.

The focus of all supplier negotiations is the effect on turnover of the category as whole, not just the sales of individual products. Suppliers are expected, indeed in many cases mandated, to only suggest new product introductions, a new [planogram](http://en.wikipedia.org/wiki/Planogram) or promotional activity if it is expected to have a beneficial effect on the turnover or profit of the total category and be beneficial to the shoppers of that category.

**Definition of Category Management**

*Category management is a process that involves managing product categories as business units and customizing them [on a store by store basis] to satisfy customer needs.* (***Nielsen***)

*The strategic management of product groups through trade partnerships which aim to maximize sales and profit by satisfying consumer and shopper needs* (***Institute of Grocery Distribution)***

A more formal definition would be, *‘Category management is a retailer – supplier process of managing categories as strategic business unit (SBU’s), producing enhanced results by focusing on delivering consumer values.’*

*The strategic management of product groups through trade partnerships which aims to maximize sales and profit by satisfying consumer and shopper needs*

There are two key elements of category management:

* Category management aims to provide the shopper and consumer with what they want, where they want it, and when they want it.
* Products are grouped together into categories to reflect customer’s needs based on how the product is used, consumed or purchased.

Category management is a continual, long term business philosophy, often approached through a series of short term projects involve a close working partnership and the sharing of information by retailers and suppliers.

* A supplier uses its expertise about who purchases (the shopper), who consumes, what they want, need and how they behave.
* A retailer uses its knowledge of its customers, the way they shop, and their purchasing behavior.

Category management promotes cross functional working between companies and will generally involve people from buying, finance, supply chain, trade marketing, space planning, store operations, sales, product development and marketing & of course category management.

A category’s role and marketing positioning should align with retailers corporate goals with the overall look and feel in-store mirroring the image of the retailer.

**The reasons for the emergence of category Management**

By focusing on a superior understanding of consumer needs, category management provides renewed opportunities for meeting consumer needs and at the same time, for achieving competitive advantage as well as lower costs through greater work process efficiencies. A number of specific industry trends are driving the emergence of category management. The key reasons are:

* Consumer changes
* Economic and Efficiency Considerations
* Competitive Pressures
* Information Technology Advances.

## The Category Management Process

Category Management is underpinned by a structured process which provides a framework for retailer & supplier to work together strategically. A formal 8-step category management process was developed just over a decade ago by the Partnering Group.

**The Category Management Process**



**Retail Pricing Strategies**

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

* The primary factor that is to be considered while arriving at the pricing strategy is the business model that the retailer has chosen to follow.
* The next factor to be taken into consideration is the demand for the product and the target market,
* The store policies and the image to be created also influence the pricing of a product.
* Competition for the product and the competitor’s price for a similar product in the market also need to be taken into consideration.
* The economic conditions prevalent at the time play a major role in the pricing policy.

**Retail Pricing Strategies**

 Setting the right price is a crucial step toward achieving that profit. Retailers are in business to make a profit, but figuring out what and how to price products may not come easily. Before we can determine which retail pricing strategy to use in setting the right price, we must know the costs associated with the products. Two key elements in factoring product cost is the [cost of goods](http://retail.about.com/od/glossary/g/cogs.htm) and the amount of [operating expense](http://retail.about.com/od/glossary/g/operating_exp.htm).

The cost of goods includes the amount paid for the product, plus any shipping or handling expenses. The cost of operating the business, or operating expense, includes overhead, payroll, marketing and office supplies. Regardless of the pricing strategy used, the retail price of the products should more than cover the cost of obtaining the goods plus the expenses related to operating the business. A retailer simply cannot succeed in business if they continue to sell their products below cost.

### Retail Pricing Strategies

Retailers will also need to examine their channels of distribution and research what the market is willing to pay. Many pricing strategies exist and each is used based on particular a set of circumstances. Here are a few of the more popular pricing strategies to consider:

### Mark-up Pricing Markup on cost can be calculated by adding a pre-set (often industry standard) [profit margin](http://retail.about.com/od/glossary/g/profit_margin.htm), or percentage, to the cost of the merchandise. Markup on retail is determined by dividing the dollar [markup](http://retail.about.com/od/glossary/g/markup.htm) by retail.

Be sure to keep the initial mark-up high enough to cover price reductions, discounts, shrinkage and other anticipated expenses, and still achieve a satisfactory profit. Retailers with a varied product selection can use different mark-ups on each product line.

*Markup% (at retail) = (Retail Selling Price – Merchandise Cost) / Retail Selling Price*

*Markup% (at Cost) = (Retail Selling Price – Merchandise Cost) / Merchandise Cost*

### Vendor Pricing Manufacturer suggested retail price (MSRP) is a common strategy used by the smaller retail shops to avoid price wars and still maintain a decent profit. Some suppliers have [minimum advertised](http://retail.about.com/od/glossary/g/map.htm) prices but also suggest the retail pricing. By pricing products with the suggested retail prices supplied by the vendor, the retailer is out of the decision-making process. Another issue with using pre-set prices is that it doesn't allow a retailer to have an advantage over the competition.

### Competitive Pricing Consumers have many choices and are generally willing to shop around to receive the best price. Retailers considering a competitive pricing strategy will need to provide outstanding customer service to stand above the competition.

**Pricing below competition** simply means pricing products lower than the competitor's price. This strategy works well if the retailer negotiates the best prices, reduces costs and develops a marketing strategy to focus on price specials.

**Prestige pricing, or pricing above competition**, may be considered when location, exclusivity or unique customer service can justify higher prices. Retailers that stock high-quality merchandise that isn't available at any other location may be quite successful in pricing their products above competitors.

**Psychological pricing** is used when prices are set to a certain level where the consumer perceives the price to be fair. The most common method is [odd-pricing](http://retail.about.com/od/glossary/g/odd_even_price.htm) using figures that end in 5, 7 or 9. It is believed that consumers tend to round down a price of $9.95 to $9, rather than $10.

### Other Pricing Strategies

[**Keystone**](http://retail.about.com/od/glossary/g/keystone.htm)**pricing** is not used as often as it once was. Doubling the cost paid for merchandise was once the rule of pricing products, but very few products these days allow a retailer to keystone the product price.

**Multiple pricing** is a method which involves selling more than one product for one price, such as three items for $1.00. Not only is this strategy great for markdowns or sales events, but retailers have noticed consumers tend to purchase in larger amounts where the multiple pricing strategy is used.

**Discount pricing** and price reductions are a natural part of retailing. Discounting can include coupons, rebates, seasonal prices and other promotional [markdowns](http://retail.about.com/od/glossary/g/markdown.htm).

Merchandise priced below cost is referred to as [loss leaders](http://retail.about.com/od/marketingsalespromotion/a/loss_leaders.htm). Although retailers make no profit on these discounted items, the hope is consumers will purchase other products at higher margins during their visit to the store.

**Unit – III Store Management**

A store must be exciting in all respects to be able to motivate the customer to visit it again and again. Many retailers around the world prefer to implement the strategy of a ‘store as theatre’ concept and conceive their store as a theatre itself where the items of merchandize can be equated, the characters of a play and the lights and visual communication treated as the sets.

According to ***Philip Kotler*** “Retailing includes all the activities involved in selling goods or services to the final consumer for personal or non business use. A retailer or a retail store is any business enterprise whose sales volume comes primarily from retailing.” So a retail store is where the goods are assorted and displayed for easy accessibility of the consumer. Hence it can be stated that a retail store is where the customers buy the products for their personnel or for their family use.

The importance of a retail store can be stated as follows:

1) A retail store is a place where number of products at different rates is displayed. (Wide price range of products)

2) A retail store offers various company’s products and services at one point of a place (breaking the bulk).

3) An ample number of products can be chosen from one place (easy accessibility)

4) Different quality of products, in different quantities with different rates that suite the needs of the customers are made available.

5) Various products are chosen for customer’s choice and displayed in a retail store.

6) Individually one can select the product from many options available and buy according to individual needs.

**Major store design objectives**

Every retail store has to be designed in such a way that it reflects the store image with a good and appealing store atmosphere. Proper planning should be taken in designing store design so that it promotes the store objectives. External store design attracts the customer to drive into the store and a good internal store design converts the footfalls into actual purchases. Now let us now consider the Store design objectives.

The following are some of the major ***store design objectives***.

***1. Consistent with retailer’s image, positioning and strategy:***

Every retailer has his own objective/ strategy based on the product line he deals with, targeted customer base or specialization of the services offered. A retail store design should be in such a way it promotes the store objective by creating a positive image of the retail store in customers mind.

***2. Positive influence on Customers purchasing behavior:***

The design of a retail store should be designed in such a way that it facilitates the customer for easy accessibility within the store. The store design should be customer friendly so that he spends much time in navigating through the store with ease and comfort ability in exploring the different merchandise/sections with out feeling bored or confused. Proper care should be taken in designing the interiors so that the ambience, store atmospherics, the aroma, music etc within the store has a positive psychological impact on customers.

***3. Safety & security:***

The store design should take care of all the safety and security measures within and outside the store. (Detailed description of safety and security measures is given in further units)

***4. Cost effective – space productivity.***

Since the store space is limited and expensive, it has to be so designed that maximum utilization of store space takes place. Optimization of the store space by creatively using the selling space to create an appealing store image in customers mind is more important. A good store design should facilitate the traffic of the customers within and outside the store, good parking facilities, proper basic amenities for staff and customer such as rest rooms, trail rooms etc. are to be taken care while designing the store.

***5. Flexible and easily accessible to customers.***

A good retail store design should be supported by the store positioning. There is no matter in having a mall or a multiplex in a remote area which is not easily reachable. So it should be easily accessible with good connection to prime areas of the city/town and it should have lengthy working hours (i.e. 8 am to 8 pm). As most of the customers shop in weekends it should be opened all the 7 days a week with extended working hours to facilitate customer shopping.

**Store Layout**

A store layout is the design in which a store's interior is set up. Store layouts are well thought out to provide the best exposure possible. They are designed to create an attractive image for consumers.

## Image

A store's layout displays the overall image of the store and creates the perception that customers have about the store's environment. The image of the store not only attracts customers, but it also causes them to purchase goods while shopping there.

**Methods**

Designing a store layout includes deciding the best methods of presenting goods to the customer. Goods are presented either on shelving units, hanging from something, on pegboard, stacked or placed on dump tables. The methods determined are designed to optimize sales volumes.

**Utilizing Space**

People designing the layout of a store try to utilize the space they have in the most efficient manner. This includes the ability to display as many goods as possible, avoid shrinkage and stimulate customers to make purchases. This also includes allocating enough space for storage purposes.

**Objectives of a Store Layout**

A store layout should facilitate the customers to move around the store and buy merchandise. It should provide a balance between providing adequate space to shop by creatively utilizing limited store space.

Store layout is a plan designating the use of all space in the store, including aisles, fixtures; merchandise displays, and no selling areas.

Store layout is a major aspect of retail store design and has a powerful influence on customer traffic patterns and purchasing behavior. A successful store layout guides customers through the store, giving him a chance of seeing and exploring the various types of merchandise offered in the store.

A good store layout should facilitate the store’s Productivity, operational needs, and personnel requirements.

Before planning a layout, the retailer must decide on the desired ratio of selling space to sales support space. This decision is important to the store’s long-term success, both financially and operationally.

It plays an important role in providing the framework for developing the image and establishing efficient retail operations. There are certain objectives to be attained with which the retailers design the store layout.

The main objectives can be put together as under:

1. *To guide the customer around the store and facilitate increased purchases.* The retail store should be designed in such a way that the customer visits every part of it. It should make it easy for the customer to move through the store and obtain the desired merchandise with a minimum of confusion, congestion and delay.

*2. To create balance between sales and shopping space. (Improve store efficiency) It should* minimize labor and handling needed in moving merchandise through the store while satisfying the merchandising objectives.

*3. To create effective merchandise presentation. (Maximize sales) It should provide for a* merchandising arrangement which assures maximum exposure for all merchandise carried, considering space costs while facilitating the product movement keeping in mind their profitability and perish ability.

*4. Use multi-levels to provide a sense of variety (Implement the desired image) it should provide* space and an arrangement of the departments consistent with the desired image goals. It should create good ambience i.e.; an overall feeling or mood projected by the store through its aesthetic appeal to human senses. In order to give proper attention to these functions, it is necessary that considerable time should be spent in planning the layout.

**Steps in planning a Store Layout.**

Keeping in mind the above discussed objectives of a store layout design, the following care should be administered in each department to get the maximum enhancement of the store image and the merchandise offered by it.

***1. Designing the store front:***

Attention should be paid in designing a store front. It should be graphically strong and descriptive enough for any one driving by to know what is sold inside the store. The sign should be big, bright, multi-layered and create brand awareness throughout the shop.

***2. The entry of the store:***

The front door should quickly be transported and sensory loaded. It should be designed in such a way that sound, light, sight and motion should be strong with inviting store atmosphere.

***3. Flooring.***

Now-a-days different types of flooring material are used to create the texture in the store. Commercial vinyl flooring with inlaid laser cut logos and icons can be used in aisles. These enhance the store image and add value to the ambiance of the store.

***4. Ceiling and lighting:***

Decorated Ceiling with dropped soffits, space frames, trusses, neon and graphics enhance the store image.

Lighting will have more impact. Lighting arrangements should be in such a way that it enriches the shopping experience. Different lights like adjustable halogen lamps, neon lights etc are available in markets. Lighting effect such as moving lights, color screens create theatrical effects that will enhance the shopping experience.

***5. The POS counter:***

The POS counter should be designed so that the traffic patterns allow entry into the store without being immediately confronted by cash register or by a line of customers waiting to check out. Care should be taken that the counter is clearly marked with an overhead display or soffit to avoid confusion and should be provided with point of sale merchandise opportunities. These might include bins holding small impulse items as well as showcases that serve as counter tops so that customers have to see what’s in them as they make their purchase while they are waiting to pay the bill.

***6. Wall Fixtures:***

Care should be administered not to pack the walls with shelves. Instead they can be used to display merchandise, graphics, photo boxes, videos etc. . . . Division and color are important so the walls are to be segmented into sections which provoke customer interest. Different types of merchandising systems: Slatwall, grids, recessed standards and wall cases are commonly used. The variety of visual presentation will provoke additional interest which results in sales.

***7. Floor fixtures:***

The floor fixtures should also be flexible. Long runs of gondolas should be limited because they will bind the store into an immovable pattern. Care should be taken that the sales floor is wired for electric and computer cables. Fix Turing will become much more customer interactive and future displays will incorporate video and computer technologies to impact sales at the point where the purchasing decision is most often made.

***8. Sound and Music:***

Sound is known to be world’s single most powerful emotional element. Sound encourages customers to stay in the store longer and to come back more often, Care should be taken that music in the store is effectively and consistent.

***9. Signs and graphics:***

Signs and graphics will help customers find their way through the store and will add to the overall ambiance of the shop. In-store graphics should be large and distinctive and should include a combination of photo blow ups, back lighted transparencies and props that all promote the shops identity and theme.

***10. Video:***

Video monitors can serve as an entertainment back drop and provide information about a variety of subjects. For instance, in a mall video displaying different products, their features and their promos will educate the customer about the product line which makes the customer to stay long and the shop. This technique will capture your client’s attention and keep them in the shop for a longer time.

***11. Kiosk/Computers:***

In-store interactive computers will really separate future planning stores from those in operation today. They can be extensively used to facilitate the customers and in other hand capture the information which can otherwise used for further Customer Relationship programs, market survey etc.

**Selecting a Layout**

The basic arrangement of the selling space is of primary importance, because it effects all other design decisions. Each type of layout has inherent strengths and weaknesses. With changing formats and increasingly sophisticated store design research and techniques, retailers have been experimenting with many combinations of these plans.

Layouts may be categorized into three basic types:

* Grid
* Free flow
* Loop/boutique

**Grid Layouts**

It is a linear design for a selling floor where fixtures are arranged to form vertical and horizontal aisles throughout the store.

Supermarkets, discount stores, grocery, drug store and other convenience –oriented retailers, typically use it. This layout is mostly of the store’s convenience and facilitates a lot of products out on display.

**Advantages**

The basic advantages of using this kind of layout are:

1. It efficiently uses the store space

2. It allows orderly stocking

3. Helps shoppers to see a great number of items easily

4. It is simple and predictable to navigate

5. In a self-service format, this arrangement permits customers to shop in a quick and in a routine manner.

6. Strategic location of departments ensures that customers are drawn through the store and exposed to all merchandise categories.

7. Simplify the inventory maintenance.

The following figure describes a grid layout-



**Disadvantages**

Weaknesses of the layout include:

1. This model creates a psychological effect on customers that it is constraining and rushed, which may reduce the time spend by customer in browsing.

2. It is not aesthetically pleasing.

3. As it contains long gondolas of merchandise and aisles in a repetitive pattern, it creates a monotonous effect that makes the customers feel bored after a certain time.

4. It is not necessarily convenient for all consumers or the most effective selling approach. Certainly the main aisles will get lots of exposure, but the secondary aisles are often over looked and as a result sales are missed out.

**Loop or Boutique or Racetrack Layouts**

A race track layout is also called as boutique or loop layout. This model display is in the form of loops with major aisle running through the store. The aisle provides access to various shop-in-shop or different departments of the shop. It exposes shoppers to a great deal of merchandise as they follow a perimeter traffic aisle with departments on the right and left of the circular, square, rectangular or oval racetrack. This layout is employed in a discount or a department store.



**Advantages**

The major strengths of this kind of layout can be summed up as under:

1. This layout facilitates the shoppers to a great deal of merchandise.

2. It forces the customer to visit multiple departments as they pass through.

3. As it is in loop pattern it takes the customer to all departments which may lead to impulse buying.

4. The newest merchandise is prominently displayed on these main aisles so that it catches the customer eye.

5. Overhead directional signs and departmental graphics provide visual cues to the location of other departments, helping shoppers while shopping

6. Construction, interior design and security costs are substantial in this model.

**Disadvantages:** The main drawback of this layout is that a customer has to pass through all the sections which may not be of his interest.

**Free-flow Layouts**

It is an asymmetrical arrangement of merchandise that encourages an unstructured traffic flow. It is mainly used in specialty stores and within departments of department stores that emphasize mainly on ambiance and personal selling



**Advantages**

The main advantages of this layout are:

1) It does not restrict the customers who do more browsing and unplanned purchasing.

2) It also enhances interior design, as the individual departments are more easily distinguished.

3) It tends to provide a more relaxed atmosphere.

4) Personal selling is emphasized.

**Disadvantages**

The major disadvantages of this layout can be summed up as under:

1) Its main weakness lies in the inefficient use of space and customer disorientation.

2) Since it is not symmetric, it requires higher labor and security expenditures.

3) Lends itself to higher rates of theft because of blocked vision. Setup is expensive because the setup is custom made.

4) Critical factor is providing enough room between fixtures to allow traffic to flow smoothly.

5) It has selling fixtures arranged in loosely grouped, informal formations.

Designers can use various combinations of the three layouts to increase flexibility or improve traffic flow. This practice is prevalent in multilevel stores and large, power assortment formats. A combination of formats may improve productivity as well as aesthetics and visual effectiveness. The other ways of store layouts can be discussed as under:

**Soft Aisle Layout**

This layout treats merchandised walls as some of the most important sales generators in the store. Floor fixtures are arranged into groups with a 5-foot aisle along merchandised wall sections. This encourages customers to shop and move easily around the store.

**Minimal floor Layout**

It is almost gallery-like in its simplicity, shows small selections of handcrafted or very exclusive merchandise. This layout is used in very high-end retail stores products which are presented dramatically on the walls of the store much like the art objects - with a minimal use of selling fixtures on the floor. It allows for wide-open spaces in the center of the store.

**Combination floor Layout**

It has the best features of several floor layouts in an overall plan that suits a retailer’s specific strategy .It is a blend of a free-flow layout in the first third of the store and a grid layout for a clearance department in the rear of the store.

**Universal Access Layout**

The main principle of universal access layout is that it should be useful and marketable to people with diverse abilities. It should also provide line of sight to important elements for any seated or standing user making them reach to all components comfortably.

To conclude with, suitable layout should be opted by the retailer according to his needs and objectives and should be adapted to the best way that it enhances the store image, merchandise and services offered resulting in best turnover of the retail store.

**Retail Space Planning**

*Retailers roll their dice to gain market spotlight for their merchandise. A well planned and managed space in a retail store is the touchstone for a retailer’s success in business.*

**Retail Space Planning** is an ambiguous description of several facets of retail operation. By one definition the term, retail space planning refers to product placement or departmental adjacencies. Another definition describes retail space planning as the study of the distribution of space allotted to particular categories in relationship to their productivity and their inventory balances. Still another definition characterizes retail space planning more literally and refers instead to store fixture layouts.

**Different kinds of Store Space.**

A typical layout divides a store into four different kinds of space:

***Selling space*** – Assigned for interior displays, product demonstrations, and sales transactions within the store.

***Merchandising space*** – Allocated to items that are kept in inventory for selling.

***Personnel space*** – Assigned to store employees for lockers, lunch breaks, and rest rooms.

***Customer space*** – Assigned for the comfort and convenience of the customer.

**Benefits of Space Planning:**

Adequate space planning techniques enable the retailer to have end-to-end control of merchandise. This display will attract more customers, minimizes stock outs and operating costs, enables inventory productivity, and increases the financial performance and ultimately more profits for the retail outlet. Retailers can drive top line sales, and achieve good overall returns on their invested amount of capital.

The traditional space planning process is altered meeting with the localized needs of customers. Retailers should move away from developing prototype store layouts, as no two stores look alike. They should maintain store specific plans by gaining more knowledge about their stores. Effective planning of the retail space and managing it in a right way is the key factor in the lifecycle of merchandise planning and execution.

**Merchandize Presentation Techniques**

Retailers use a large array of fixtures and hardware. This may seem to present an endless variety of ways to merchandize the product, but there are essentially six methods of merchandize presentation:

1. ***Shelving:*** the majority of merchandize is placed on shelves that are inserted into gondolas or walls systems. It is flexible, easy to maintain merchandize presentation methods.
2. ***Hanging:*** Apparel on hangers can be hung from soft lines fixtures, such as rounder's/four-way racks
3. ***Pegging:*** Small merchandize can be hung from peg hooks, which are small rods inserted into gondolas or wall systems, pegging gives a neat, orderly appearance, but can be labour intensive to display and maintain.
4. ***Folding:*** Higher- margin or large, unwieldy soft lines merchandize can be folded and then stacked onto shelves or placed on tables.
5. ***Stacking:*** Large hard line merchandize can be stacked on shelves, the base decks of gondolas, or “flats” which are platforms placed directly on the floor.
6. ***Dumping:*** Large quantities of small merchandize can be dumped in bins or baskets inserted into gondolas or wall systems.

***Fixtures used in Retailing***

The primary purpose of fixtures is to efficiently hold and display merchandize. These come in an infinite variety of styles, colors, sizes and textures, but only few types are commonly used.

1. ***Straight Racks:*** consists of a long pipe suspended with supports going to the floor or attached to a wall.



1. ***Rounders:*** also known as bulk fixture or capacity fixture is a round fixture that sits on a pedestal.



1. ***Four – Way Fixture:*** is also known as a feature fixture, has two cross bars that sits perpendicular to each other on a pedestal.



1. ***Gondolas:*** are extremely versatile, they are used extensively, but not exclusively in grocery and discount stores to display every thing



**Atmospherics**

Refers to the design of an environment to stimulate customers perceptual, emotional responses and ultimately to affect their purchase behavior. The atmospherics are as follows:

* Visual Communications

**Visual communication** as the name suggests is communication through visual aid and is described as the conveyance of ideas and information in forms that can be read or looked upon. Visual communication in part or whole relies on vision, and is primarily presented or expressed with two dimensional images, it includes: signs, typography, drawing, graphic design,  illustration, color and electronic resources. It also explores the idea that a visual message accompanying text has a greater power to inform, educate, or persuade a person or audience. Visual communication is effected through pictures, graphs and charts, as well as through signs, signals and symbols. They may use either independently or as an adjunct to the other methods of communication.

* ***Lighting***

Lighting should be considered a sales tool in retail environments. It can be used to entice customers into the store, lead them through merchandise areas, call attention to specific merchandise, and draw customers through the transaction process—all the while conveying specific moods or enhancing merchandising themes. Effective use of light can dramatically enhance the performance of most retail environments. In all cases, the lighting should help communicate the merchandising strategy. From the outside and inside, customers perceive the merchandise and say, “This store is for me.” Lighting can help communicate the type of customers targeted by the store, the quality of the products inside, the price point and the type of service they can expect.

* ***Color***

The one major psychological influence that all retailers can – and do – make use of is color. Color can be everything to a successful store.

* ***Music***

In store presentation is key to the success of any retail environment. Design, lighting and music all play an important role in enhancing your store atmosphere, reinforcing your brand image and ultimately ensuring that your customer has a positive retail experience.

* ***Scent/ Smell***

In a Store, Fragrance is the specific use of aromas and fragrances to create an enticing, comfortable and interesting retail, service or display environment. Fragrance targets a person’s acute sense of smell with fragrances, aroma or essential oils, creating an environment that will be remembered long after the shopping experience.

**Unit – IV Location Strategies**

For several reasons, store location is often the most important decision made by a retailer. First, location is typically the prime consideration in a customer’s store choice. Second, location decisions have strategic importance because they can be used to develop a sustainable competitive advantage. Location decisions have become even more important in recent years. Store location is certainly of greater value for sale of products. A garment store located off the market, in an isolated place would certainly be in disadvantageous position that the garment store located in the main street of the central market. A retailer may find a suitable location, but high rent, complicated leases, and expensive fixturing and remodeling can make it very costly. Many types of locations are available for retail stores – each with its own strengths and weaknesses. Choosing a particular location type involves evaluating a series of trade – offs. These trades-offs generally concern the cost of the location versus its value to customers.

The retailer has to consider the following points while selecting a location for his/her store:

* Proximity of the target market
* Type of merchandize
* Proximity of generator stores

***Proximity of Target Market***: Customers always prefers a closer location of the market. Consumer goods, services like STD/PCO, Pharmacy stores are always located close to the target market.

***Type of Merchandize***: to be sold is an essential factor to be considered while selection a location, since the investment in a location is capital intensive, hence the decision must be taken very carefully so that justification for returns on investment may be drawn.

***Proximity of Generator Stores***: it is always beneficial to locate the store near a generator store. A generator store is a store, which attract customers for impulse buying. Ice cream parlors, juice and cold drink centers and fast food joints are crowd pullers, which attract huge customers during weekends or in the evening.

 Retailers have three basic types of locations to choose from: a shopping centre, a city or town locations, or a freestanding location. Retailers can also locate in a nontraditional location like an airport or within other stores

1. **Shopping Centers**

From the 1950s through the 1980s, suburban shopping centers grew as populations shifted to the suburbs have created a need for stores a short drive from home. Large shopping centers provide huge assortments for consumers. Combining many stores under one roof creates a synergy that attracts more customers than if the stores had separate locations.

The term *shopping center* has been evolving since the early 1950s. A shopping center is a group of retail and other commercial establishments that is planed developed, owned, and managed as a single property. The two main configurations of shopping centers are *Strip centers and enclosed malls*. Strip centers are shopping centers that usually have parking directly in front of the stores. Open canopies may connect the store fronts, but a strip center does not have enclosed walkways linking the stores.

Malls, on the other hand, are shopping centers in which customer’s park in outlying areas and walk to the stores. Traditional malls are enclosed, with a climate controlled walkway between two facing strips of stores.

***Strip Shopping Centers***

The primary advantage of strip centers are that they offer customers convenient locations and easy parking and they entail relatively low rents for retailers. The primary disadvantages are that there is no protection from the weather, and they offer less assortment and entertainment options for customers than malls. There are two types of strip shopping centers.

1. *Traditional strip center*: is a shopping center that is designed to provide convenient shopping for day – to – day needs of consumers in their immediate neighborhood. Smaller strip centers are typically anchored by a supermarket or a drugstore; the larger strips are anchored by discount stores, off – price store, or category killers selling such items as apparel, home improvement/furnishings, toys, shoes, pet supplies, electronics, and sporting goods. These anchors are supported by stores offering sundries, food, and a variety of personal services such as barber shops and dry cleaners. They can offer lower prices, partly because of the lower rents plus their customers can drive right up to the door.
2. *Power Centers*: is a shopping center that is dominated by several large anchors, including discount stores, off price stores, warehouse clubs, or category specialists. Power centers were virtually unknown before the 1990s, but they have steadily grown in number. Many are now large than some regional malls.
3. **Free Standing Sites**

Although most retailers locate in strip centers or planned shopping malls, a frequent option for large retailers is a free standing site. A Free Standing Site is a retail location that is not connected to other retailers, although may are located adjacent to malls. Retailers with large space requirements, such as warehouse clubs and hyper markets, are often free standing. Advantages of free standing locations are greater visibility, lower rents, ample parking, no direct competition, greater convenience for customers, fewer restrictions on signs, hours, or merchandize, and ease of expansion. The most serious disadvantage is the lack of synergy with other stores.

A retailer in a free standing location must be a primary destination point for customers. It must offer customers something special in merchandise, price, promotion, or services to get them into the store.

1. **Shopping Malls**

Shopping malls have several advantages over alternative locations. First, because of the many different types of stores, the merchandise assortments available within those stores, and the opportunity to combine shopping with entertainment, shopping malls have become the main street for today’s shoppers.

The second major advantage of locating in a shopping mall is that the tenant mix can be planned. Shopping mall owners control the number of different types of retailers so that customers can have a one – stop shopping experience with a well – balanced assortment of merchandize. Thus, customers know what types of merchandize they can expect to find in a particular mall or location within a mall.

The third advantage of shopping malls is that the retailers and their customers don’t have to worry about their external environment. Mall tenants can look forward to a strong level of homogeneity with the other stores.

Although shopping centers are an excellent site option for many retailers, they have some disadvantages. First, mall rents are higher than those of some strip centers, freestanding sites and many central business districts. Second, some tenants may not like mall managers’ control of their operations.

Finally, competition within shopping centers can be intense. It may be hard for small specialty stores to compete directly with large department stores. Shopping malls are facing several challenges. First, there is increasing competition from other types of retail location alternatives, such as power and lifestyle centers, catalogs and the Internet. Second, many of today’s shoppers are looking for value alternatives to stores found in shopping malls.

1. **Regional Center**

A regional center is a shopping mall that provides general merchandize and services in full depth and variety. Its main attractions are its anchors, department and discount stores, or fashion specialty stores. A typical regional center is usually enclosed with an inward orientation of the stores connected by a common walkway, with parking surrounding the outside perimeter.

1. **Superregional Center**

It is a shopping center that is similar to a regional center, but because of its larger size, it has more anchors and deeper selection of merchandize and it draws from a larger population base. According to the *Guinness Book of Records*, the world’s largest shopping, amusement, and recreation center is the ***West Edmonton Mall*** in ***Alberta, Canada.*** It has nearly 5.2 million square feet of covered space, 3.8 million square feet of selling space, more than 800 stores and services, and 110 restaurants.

1. **Lifestyle Centers**

It is an outdoor traditional streetscape layout with sit down restaurants and a conglomeration of retailers. The centers offer shoppers convenience, safety, an optimum tenant mix, and a pleasant atmosphere. Like “Main Street” locations shoppers go because it’s an attractive, energetic place to meet their friend and have fun. Some lifestyle centers consist only of stores and restaurants; some have cinemas and entertainment; and others still mingle retail with homes and office.

1. **Fashion/Specialty Centers**

It is a shopping center that is composed mainly of upscale apparel shops, boutiques, and gift shops carrying selected fashions or unique merchandise of high quality and price. These are similar to lifestyle centers in terms of the clientele and the types of stores they attract, usually found in trade areas having high income levels, in tourist areas, or in some central business districts.

1. **Outlet Centers**

These are shopping centers that consist mostly of manufacturers’ outlet stores selling their own brands, supposedly at a discount. These centers also sometimes include off-price retailers.

1. **Theme / Festival Centers**

These are the shopping centers that typically employ a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in their merchandize. They can be anchored by restaurants and entertainment facilities. These can be located in a place of historical interest during festival periods.

1. **Merchandize Kiosks**

Although not a type of shopping mall, merchandize kiosks are found in shopping malls of all types of popular location alternative for retailers with small space needs. Merchandise kiosks are small selling spaces offering a limited merchandise assortment. These selling spaces are typically between 40 to 500 square feet and can be in prime mall locations.

**City or Town Locations**

1. **Central Business Districts (CBD)**

CBD is the traditional downtown business area in a city or town. Due to its business activity, it draws many people into the area during business hours. Also, people must go to the area for work. The CBD is also the hub for public transportation, and there is a high level of pedestrian traffic. Finally, the most successful CBDs for retail trade are those with a large number of residents living in the area.

1. **Inner – City Locations**

Another city or town location alternative is the inner city. The inner city is typically a high – density urban area consisting of apartment building populated primarily by ethnic groups.

1. **Main Street Locations**

Main Street is the CBD located in the traditional shopping areas of smaller towns, or a secondary business district in a suburb or within a larger city. Main Streets share most of the characteristics of the primary CBD. But their occupancy costs are generally lower than that of the primary CBD. They do not draw as many people as primary CBD because fewer people work in the area and fewer stores generally mean a smaller overall selection. Finally Main Streets typically do not offer the entertainment and recreational activities available in the more successful primary CBDs.

**Location and Retail Strategy**

1. **Department Stores**

Department stores have historically been the backbone of CBDs. Since 1950s, they have become the anchors for most regional and super regional shopping centers. These locations draw a large number of people due to their large size, and merchandize selection. Of course, a department store creates its own traffic for a CBD or Mall. CBDs have advantage of having potential customers working in the area.

1. **Specialty Apparel Stores**

These stores strives in CBD, Main Street Locations, and most types of malls, including regional, super regional shopping centers, life style and fashion centers. These are capable of drawing a large no of people, and their provide entertainment and recreational opportunities for their customers. Specialty Apparel Stores carry shopping goods – products for which consumers spend time comparing alternatives.

1. **Category Specialist**

These are likely to be found in power centers. Category specialists are destination stores. A destination store is one in which the merchandise, selection, presentation, pricing, or other unique features act as a magnet for customers.

1. **Grocery Stores**

These are typically located in strip centers. Like category specialist, grocery stores are price competitive, and strip centers have relatively inexpensive rent. People generally are not willing to travel long distances to shop for groceries. Grocery stores carry convenience goods – products consumers are not willing to spend effort to evaluate prior to purchase, such as milk and bread.

**Factors Affecting the Demand of a Region or Trade Area**

The best regions and trade areas are those that generate the highest demand or sales for a retailer. Although the regional analysis is distinct from the trade area analysis, the factors that make them attractive are the same. Locating in a trade area outside a retailer’s home country requires the analyst to examine all these factors, plus additional issues such as difference in the legal, political, and cultural environment.

1. ***Economies of Scale versus Cannibalization***

At first glance the retailer should choose the one best location in a given trade area. After all, promotion and distribution economies of scale can be achieved with multiple locations. The company believes that a store can do too much business. The store might be over crowded, offer poor service, have a hard time staying in stock, and actually be underperforming. For company owned stores the objective is to maximize profits for the entire chain. In this case, the retailer would continue to open stores as along as the marginal revenues achieved by opening a new store are greater than the marginal costs. Although this strategy may sound illogical at first glance.

For franchise operations, however, each individual franchise owner wants to maximize his or her profits. Some franchisors grant their franchisees an exclusive geographic territory so that other stores under the same franchise do not compete directly with them.

1. ***Demographic & Lifestyle Characteristics***

In most cases, areas where the general population is growing are preferable to those with declining populations. Some retailers, such as Subway Sandwich & Salad Shops, often go into new strip shopping centers in anticipation that the surrounding suburban area will eventually be built up enough to support demand. Finally, lifestyle characteristics of the population may be relevant, depending on the target market(s) a particular retailer is pursuing.

1. ***Business Climate***

It is important to examine a market’s employment trends because a high level of employment usually means high purchasing power. Also, it is useful to determine which areas are growing quickly and why. Retail location analysts must determine how long such growth will continue and how it will affect demand for their merchandize.

1. ***Competition***

The level of competition in an area also affects demand for a retailer’s merchandize. The level of competition can be defined as saturated, under stored, or over stored. A **saturated trade area** offers customers a good selection of goods and services, while allowing competing retailers to make good profits. Since customers are drawn to these areas because of the great selections, retailers who believe they can offer customers a superior retail format in terms of merchandize, pricing or service may find these areas attractive.

An **under stored trade area** is an area that has too few stores selling a specific good or services to satisfy the need of the population. Wal-Mart’s early success was based on a location strategy of opening stores in small towns that were relatively under stored.

An **over stored trade area** having so many stores selling a specific good or service that some stores will fail.

**Factors affecting the attractiveness of a site**

***Accessibility***

The accessibility of a site is the ease with which a customer may get into and out of it. The accessibility analysis has two stages:

1. *Macro Analysis*: The macro analysis considers the primary trade area, such as the area two to three miles around the site in the case of a supermarket or drug store. To assess a site’s accessibility on a macro level, the retailer simultaneously evaluates several factors, such as road patterns, road conditions, and barriers. Natural barriers, such as rivers or mountain, and artificial barriers, such as railroad tracks, major highways, or parks, may also affect accessibility.
2. *Micro Analysis*: The micro analysis concentrates on issues in the immediate locality of the site, such as visibility, traffic flow, parking, congestion and ingress / egress. **Visibility** refers to customer’s ability to see the store and enter the parking lot safely. In an area with a highly momentary population, such as a tourist center or large city, good visibility form the road is particularly important.

The success of a site with a **good traffic flow** is a question of balance. The site should have a substantial number of cars per day but not so many that jamming should not arise. The amount of **quality of parking facilities** is critical to a shopping center’s overall accessibility. If there aren’t enough spaces or if they are too far from the stores, customers will be discouraged from entering the area. **Congestion** can refer to the amount of crowding of either cars or people. **Ingress/egress** refers to the ease of entering and exiting the site’s parking lot.

**Unit – V Retail in India**

Retail-which literally means to put on the market, is a very important aspect of every city. Without a well organized retail industry we would not have our necessities and luxuries fulfilled. Be it our daily groceries or fashion accessories and everything in between, retail industry brings us the blissful experience of shopping. Though organized retailing industry began much earlier in the developed nations, India had not actively participated. However with its vast expanse and young population, India in the 21st century emerges as a highly potential retail market. The journey of retailing in India has been riveting and the future promises further growth. Here is a complete picture deciphering the past, present and future trends of Indian Retail Market.

**Retail in India – Past**

Retailing in India at this stage was completely unorganized and it thrived as separate entities operated by small and medium entrepreneurs in their own territories. There was lack of international exposure and only a few Indian companies explored the retail platform on a larger scale. From overseas only companies like Levi's, Pepe, Marks and Spencer etc. had entered targeting upper middle and rich classes of Indians. However as more than 50 % population was formed by lower and lower middle class people, the market was not completely captured. This was later realized by brands like Big Bazaar and Pantaloons who made their products and services accessible to all classes of people and today the success of these brands proves the potential of Indian retail market.

A great shift that ushered in the Indian Retail Revolution was the eruption of Malls across all regional markets. Now at its peak, the mall culture actually brought in the organized format for Retailing in India which was absent earlier. Though malls were also initially planned for the higher strata, they successfully adapted to cater to the larger population of India. And it no wonder, today Malls are changing the way common Indians have their shopping experience today there are more than 50 malls across different cities and 2 years from now around 500 malls are predicted to come up.

**Retail in India – Present**

At present the Retail industry in India is accelerating. Though India is still not at an equal pace with other Asian counterparts, Indian is geared to become a major player in the Retail Market. The fact that most of the developed nations are saturated and the developing ones still not prepared, India secures a great position in the international market. Also with a highly diverse demography, India provides immense scope for companies brining in different products targeting different consumers.

According to the Global Retail Development Index, India is positioned as the foremost destination for Retail investment and business development. The factor that is presently playing a significant role here is the fact that a large section of Indian population is in the age group of 20-34 with a considerably high purchasing power; this has caused the increase in the demand in the urban market resulting in consistent growth in the Retail business.

And though the metros and other tier 1 cities continue to sustain Retail growth, the buzz has now shifted from these great cities to lesser known ones. As the spending power is no longer limited to metros, every tier 2 city in the country has good market for almost every product or service. Due to this, tier 2 cities like Chandigarh, Coimbatore, Pune, Kolkatta, Ahmedabad, Baroda, Hyderabad, Cochin, Nagpur, Indore, Trivandrum etc. provide a good platform for a brand to enter Indian market.

As the Indian retailing is getting more and more organized various retail formats are emerging to capture the potential of the market.

* Mega Malls
* Multiplexes
* Large and small supermarkets
* Hypermarkets
* Departmental stores are a few formats which flourishing in the both big and small regional markets

As the major cities have made the present retail scenario pleasant, the future of the Indian Retailing industry lies in the rural regions. Catering to these consumers will bring tremendous business to brands from every sector. However as the market expands companies entering India will have to be more cautious with their strategic plans. To tap into the psyche of consumers with different likes and dislikes and differing budgets a company has to be well prepared and highly flexible with their product and services. In this regard focusing on developing each market separately can save a brand from many troubles.

**Retail in India - The Future**

According to a study the size of the Indian Retail market is currently estimated at Rs. 704 crores which accounts for a meager 3 % of the total retail market. As the market becomes more and more organized the Indian retail industry will gain greater worth. The Retail sector in the small towns and cities will increase by 50 to 60 % pertaining to easy and inexpensive availability of land and demand among consumers.

Growth in India Real estate sector is also complementing the Retail sector and thus it becomes a strong feature for the future trend. Over a period of next 4 years there will be a retail space demand of 40 million sq. ft. The growth in the retail sector is also caused by the development of retail specific properties like malls and multiplexes.

According to a report, from the year 2003 to 2008 the retail sales are growing at a rate of 8.3% per annum. With this the organized retail which currently has only 3% of the total market share will acquire 15-20 % of the market share by the year 2010.

Factors that are playing a role in fuelling the bright future of the Indian Retail are as follows:

* The income of an average Indian is increasing and thus there is a proportional increase in the purchasing power.
* The infrastructure is improving greatly in all regions is benefiting the market.
* Indian economy and its policies are also becoming more and more liberal making way for a wide range of companies to enter Indian market.
* Indian population has learnt to become a good consumer and all national and international brands are benefiting with this new awareness.
* Another great factor is the internet revolution, which is allowing foreign brands to understand Indian consumers and influence them before entering the market. Due to the reach of media in the remotest of the markets, consumers are now aware of the global products and it helps brands to build themselves faster in a new region

Foreign direct investment is not allowed in retail sector, which can be a concern for many brands. But Franchise agreements circumvent this problem. Along with this regulations and local laws and real estate purchase restrictions bring up challenges. Other than this lack of integrated supply chain and management and lack of trained workforce and flux of the market in terms of price and product choice also need to be eliminated.

Despite these challenges many international brands are thriving in the Indian market by finding solutions around these challenges. A company that plans to enter Indian market at this time can definitely look forward to great business if it analyzes and puts efforts on all parameters. And with Good Planning, Timely Implementation and a media campaign that touches Indian consumers any brand can go far ahead in the Indian Retail Revolution.

**Factors affecting retailing in India**

There is no single factor but numerous factors which have prevented organized retailing from taking off as it should have in India. Some of the leading factors that have restricted this growth are as follows:

* ***High Real Estate Costs***: As a rule, retailers throughout the world prefer to lease – own all the locations for their store premises and real estate costs thus constitute one of the highest expense heads for any retail operation in the world. Be it on lease or on outright purchase, such an expense is undoubtedly very high while considering the viability of a retail store. In India, the high cost of real estate, in spite of the fact that the per capita income in the country is one of the lowest in the world, makes retailing a difficult choice as a business proposition.
* ***Obsolete Rental Laws***: The problem of low rentals has been further forced by the obsolete rent control laws, which are ridiculous enough to virtually give legal sanction to a tenant to occupy a particular premise for good and thus become a lifelong liability for the landlord. The position of the landlord is, in reality, reduced to that of being a mere caretaker of his property and that too entirely at his own expense without any contribution from the tenant.

The rental laws of the country are so absurd that they often permit a tenant to occupy the rented premises at less than a fraction of the latter’s actual market rate even after the expiry of the lease. This has given rise to the caustic adage, ‘once a tenant, always and a tenant’.

* ***Lack of Finance Options***: The availability of finance is always the core ingredient for any enterprise and is even more crucial for a new one. Most new businesses need more capital in the initial stage than at a later stage of the project and organized retailing is no exception. However, while most large and small industries have many options for resource mobilization, the avenues for sourcing finance for the retail sector in India are surprisingly very limited.
* ***High Interest Costs***: Apart from lack of avenues for resource mobilization, the retailer also faces hurdles in terms of high interest costs. As is obvious, interest is a major component in any business the world over and the rates charged by financial institutions have a major bearing on the profitability of the business community at large. Most of the financial institutions in India do not even have the retail business on their charter and while the rest of the world lends funds to retail companies at interest rates ranging between 4 and 7 percent per annum, in India the rate is not less than 20 percent in most cases.
* ***Unplanned Cities***: The absence of any sincere and concerted effort to control population growth in India is aggravated by the fact that the country has, by and large, grown in an extremely unplanned manner, and most of its important towns and cities are so overcrowded in both the residential as well as commercial areas that finding suitable premises here for a residence or a showroom / office is an extremely difficult task. Overcrowded towns and cities thus prevent the development of such stores by posing the following hurdles
* Prospective entrepreneurs are unable to find a location suitable for their store format, since location is the most crucial sustainable factor for the success of any retail store.
* Even the locations that are available are usually far too small for them to accommodate all their products or offer adequate service to all their customers.

Thus in order to ensure the success of organized retailing a success in our country and to emerge as a credible player in the global arena, the biggest challenge that exist before the retailer is to identify an appropriate store format which is ideally suited for India’s unplanned and over – crowded cities and towns.

* ***Rampant Corruption***: Surveys by most of the leading analysts around the world have proved beyond doubt that south Asia is among the most corrupt regions of the world with the highest authorities in the system being hand in glove with the corrupt elements. This is most true of India’s taxation system wherein only a very small percentage of India’s population actually pays any income tax. As a result most retailers in the unorganized retail sector continue to flourish as they have, over the years, mastered the art of escaping taxes which itself forms a major portion of their earnings.
* ***Exorbitant Electricity Costs***: It has been found that electricity costs throughout India are among the highest in the world relative to it’s per capital income. Since organized retail stores usually occupy a fairly large space and are also generally required to be centrally air conditioned, especially in a tropical country like India, with good lighting, they consume a lot of energy. The refrigeration equipment used by supermarkets also consumes substantial energy which further adds to the recurring costs in terms of electricity consumption.
* ***Lack of Skilled Manpower***: Since organized retailing in India is still infancy, very few professionals are available to skillfully manage the various departments of a retail operation. Until recently even the job opportunities in this field were very limited, and till date there is not a single university or institute that conducts any credible retailing course recognized by the global retail community. The problem of lack of skilled manpower is aggravated by the fact that many people avoid the retail sector on account of the long hours of work it entails. Week – ends are considered peak times for retailers and those who wish to become a part of this industry must be prepared to sacrifice their weekends.
* ***Weak Consumer Laws***: The legal redressal system in India is perceived to be a time – consuming and frustrating affair that often precludes the delivery of timely justice. It was to mitigate this problem of delayed justice that the concept of consumer courts was introduced but even these courts have failed to produce the desired results. As a result, many unscrupulous retailers especially in the unorganized sector continue to sell inferior or spurious products and easily get away with it. Retailers in the organized segment suffer immensely when manufacturers supplying critical equipment fail to keep their commitments of after – sales service, thus seriously harming the credibility of retail operations in the country.

**Retailing Opportunities in India**

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country’s GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry.  In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US$ 175-200 billion by 2016.

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

***Some Key Facts:***

- Retail is India’s largest industry, accounting for over 10 per cent of the country’s GDP and around eight per cent of the employment

- The market size of Indian retail industry is about US $312 billion

- Organized retailing comprises only 2.8 per cent of the total retailing market and is estimated at around US$ 8.7 billion

- The organized retail sector is expected to grow to US $ 70 billion by 2010

**Customer Relationship Management (CRM) in Retail**

Why is Customer Service so important in Retailing?

Customer Service can be used as a powerful strategy for penetrating new markets, controlling existing markets and generating substantial revenues and profits. *Tom Peters* in his famous book, *Thriving on Chaos,* he said, *‘Listening to customers must become everyone’s business. With most competitors moving ever faster, the race will go to those who listen (and respond) most intently’.* While this is true for all business, it has special relevance to retail. Retail today, is a part of the service sector.

‘Customer service is a task, other than proactive selling, that involves interactions with customers in person or by telecommunications, mail or automated processes. It is designed, performed and communicated with two goals in mind: operational productivity and customer satisfaction’.

Thus, customer service may be termed as all the functions and activities performed by a retailer in order to satisfy the customer, thereby building customers for life. Very often, the terms customer service and customer satisfaction are used interchangeably, however, the basic difference between them needs to be understood. ‘Customer service’ focuses on measurement of how well a firm meets the established performance standards that are viewed as important to meeting customers’ needs. ‘Customer Satisfaction’ on the other hand is how the customers measure externally, the service performance of a firm. An important key to customer satisfaction is obtaining customer feedback. The aim of customer satisfaction is to identify the gap between customer perception of service and the actual service.

**Customer Relationship Management**

CRM is a tool for serving the consumer. The concept of CRM is two – fold. It is a strategy that aims at creating customers for life and tries to secure a share of the mind thereby, creating market share and a share of the wallet for the organization. The concept CRM emphasizes on building customer bonds. Here, customers would mean everyone who was dealing with the company, including stockholders, suppliers, buyers etc

CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. It is a process of collecting information about the customers and aligning and remodeling the organization’s strategy to meet the customer’s demand. The focus of CRM is on people rather than on products and services.

**CRM in Retail**

The concept of CRM has special relevance in retail. If used effectively, it can add value to the offering made by the retailer. Many a times, it is believed that CRM is one to one marketing. However, this perception is incorrect, as by effective use of CRM, a retailer can create products and services to suit the needs of the customers.

**The Retail Selling Process**

The retail selling process requires researching customer preferences, developing value propositions, establishing retail networks and supply chains, setting up stores, filling it up with merchandise and getting the customer into buying the merchandise. The following are the process engaged in retail selling:

* Acquiring Product / Merchandise Knowledge
* Studying the Customer
* Approaching the Customer
* Presenting the Merchandise
* Overcoming Resistance
* Suggestive Selling and
* Closing the Sale.

**Common Customer Services used in Retailing Sector**

1. ***Pre - Transaction Services***: The most common pretransaction services, which are provided to the customer prior to entering the store, are convenient hours and information aids. Each of these makes it easier for the potential customer to shop or to learn of the retailer’s offerings.
	1. *Convenient Hours*: Convenient operating hours are the most basic service that a retailer should provide to its customers. Retailers must determine what their customer’s want and weigh the cost of providing those wants against the additional revenues that would be generated. If the target customers, because of their work schedules, want longer hours, the retailer should do so, for the sake of profitability. A retailer’s operating hours also depend on the competition. If a competitor is willing to say open until 9.p.m. six nights per week to serve customers, it would probably not be wise to close every night at 6.p.m.
	2. *Information Aids*: many retailers offer customers other information aids that help them enter into intelligent transactions. Today, for example, with the click of a mouse consumers can not only search for products or services, but more importantly, they can determine what choices are available in local stores, the location of specific stores, and information on how to get there. Consumers can also get information about a retailer’s return policies, credit policies, merchandise availability, and even merchandise prices on the website of most major retailers.
2. ***Transaction Services***: are the services provided to customers when they are in the store shopping and transacting business. The most important transaction services are as follows:
3. *Credit*: one of the most popular transaction – related services offered by retailers is consumer credit. Offering credit can be of great service to the customer because it enables one to shop without the need to carry large sums of money. In addition it allows the customer to buy now and pay later. Credit can be a benefit to the retailer also; it increases sales by increasing impulse buying as well as the purchase of expensive items.
4. *Layaway*: when the retailer offers a layaway service, the customer can place a deposit (usually 20%) on an item, and in return the retailer will hold the item for the customer. The customer will make periodic payments on the item and, when it is paid for in full, can take it home.
5. *Gift Wrapping and Packaging*: Customers are typically better served if their purchase is properly wrapped or packaged. The service may be as simple as putting the purchase into a paper bag / sack or as complex as packaging crystal glassware in a special shatterproof box to prevent breakage. The retailer must match its wrapping service to the type of merchandise it carries and its image.
6. *Check Cashing*: Most retailers offer some form of check – cashing service. The most basic type of check – cashing service consists of allowing customers to cash a check for the amount of purchase. Most retailers now have on-line acceptance systems on their registers, which make check cashing as easy as using a credit care.
7. *Personal Shopping*: Occurs when an individual who is a professional shopper performs the shopping role for another; very upscale department and specialty stores offer personal shopper to their clients.
8. *Merchandise Availability*: as a service simply relates to whether the customers can easily find the items they are looking for. Three causes exist for the customer being unable to find an item; the item can be out of stock, it is not allocated where the customer needs it, or the customer does not know what is really needed. The retailer can minimize out – of – stock conditions by good merchandise management. The retailer can increase the customer’s ability to locate a needed item in the store by having a well – designed layout, in addition to proper in-store signing, displays, and helpful and informative employees.
9. *Personal Selling*: Another important transactional service that retailers can offer is a strong, customer – oriented retail sales force. A good job of personal selling, resulting in a need – satisfying experience, or even the use of suggestive selling, if done well, will greatly enhance customer satisfaction.
10. *Sales Transaction*: The final service to be discussed is the sales transaction itself. Some discount retailers are making headway by seeking to invoke a positive, personal touch by having a “greeter” welcome customers when they enter the store. Specialty retailers, such as Home Deport, Neiman Marcus, and L.L. Bean, offer excellent service.
11. *Dwell Time*: refers to the amount of time a consumer must spend waiting to complete a purchase. Such time greatly influences the customer’s expectations and evaluations of the retailer. Although customers understand that certain waiting periods are required, especially for services, which cannot be produced ahead of demand, there must be the perception that the line or waiting time is moving.
12. ***Post – Transaction Services***: The relationship between the retailer and the customer has become more complex in today’s service – oriented economy. The nature of many products, such as computers, automobiles, and travel and financial services, require an extended relationship between the retailer and the consumer. The most common post – transaction services, which are provided after sale has been made, are
13. *Complain Handling*: Customers dissatisfaction is undoubtedly the major source of customer complaints and it occurs when the customer’s experience with a retailer’s product or service fails to live up to expectations. The proper handling of customer complaints can mean a big difference in retail performance. Interacting with customers is a sensitive issue because it involves employees who make human errors dealing with customers who make human errors.
14. *Merchandise Returns*: The handling of merchandise returns is an important customer service, sometimes making the difference between profit and loss. The returns policy can range from “no returns, no exchange” to “the customer is always right.” Few services build customer goodwill as quickly as a fair return policy.
15. *Servicing and Repairing*: Any new product with more than one moving merchandise part is a candidate for future servicing or repair. In fact, even items without moving parts such as clothing, coffee tables, and paintings are candidates for repair. Retailers who offer merchandise servicing and repair to their customers tend to generate a higher sales volume.
16. *Delivery*: Delivery of merchandise to the customer’s home can be a very expensive service, especially because of the high cost of energy. Nonetheless, the benefits derived from providing delivery may be worth the expense if the merchandise and customer characteristics warrant it. For example, when consumers think of delivery, they usually think of Domino’s Pizza.