Rajdhani College of Engg And Management, Bhubaneswar

Study Material
Subject- Retail Management (RM)
Semester- 4th

Moule-1

Topic to be discussed

- **Emergence of organized retail in India**
- **Retailing role, relevance and trends**
- **Retail organization**
- **Types of retailers**
- **Retail Formats**
- **Retail Consumer behavior**
- **Retail Mix**
- **Retail strategy**
- **Technology in retail**

Emergence of organized retail in India

Indian Retail Industry is ranked among the ten largest retail markets in the world. The attitudinal shift of the Indian consumer and the emergence of organized retail formats have transformed the face of Retailing in India. With the sign of re-emergence of economic growth in India, consumer buying in retail sector is being projected as a key opportunity area. As a consequence, Indian corporate houses are refocusing its strategic perspective in retail marketing with the idea to use resources optimally in order to create core competence and gain competitive advantage. Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more. Organized retailing is showing signs of enormous creativity. It. has emerged as one of the most dynamic and fast paced industries with several players entering the market. As a matter of fact retailing in India is gradually edge its way towards becoming the next boom industry. This paper provides detailed information about the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people across different socio-economic classes in India and how the urban and semi-urban retail markets are witnessing significant growth .

The Emerging Sectors in Retailing:

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores and fast-food chains. It is the non-food segment, however that foray has been made into a variety of new sectors. These include lifestyle/fashion segments (Shoppers' Stop, Globus, LifeStyle, Westside), apparel/accessories (Pantaloon, Levis, Reebok), books/music/gifts (Archies, MusicWorld, Crosswords, Landmark), appliances and consumer durables (Viveks, Jainsons, Vasant & Co.), drugs and pharmacy (Health and Glow, Apollo). The emergence of new sectors has been accompanied by changes in existing formats as well as the beginning of new formats:

Hypermarts
Large supermarkets, typically 3,500-5,000 sq. ft.
Mini supermarkets, typically 1,000-2,000 sq. ft.
Convenience stores, typically 750-1,000sq. ft.
Discount/shopping list grocer

The traditional grocers, by introducing self-service formats as well as value-added services such as credit and home delivery, have tried to redefine themselves. However, the boom in retailing has been confined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impact of organised retailing. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation' effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost effectiveness, has come to be identified with lifestyles. In order to appeal to all classes of the society, retail stores would have to identify with different lifestyles. In a sense, this trend is already visible with the emergence of stores with an essentially `value for money' image. The attractiveness of the other stores actually appeals to the existing affluent class as well as those who aspire for to be part of this class. Hence, one can assume that the retailing revolution is emerging along the lines of the economic evolution of society .

Theories of structural changes of retailing:

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

Traditional- melas, Fairs, weekly Bazaars, Rural fairs.
Indegenous- mom and pop, kirana stores Neighbor stores.
Contemporary- PDS, Khadi outlets, co-operative stores
Modern Retailing- shopping malls, Bazaars, Super Bazaars, Special bazaars.

Retail store operations:

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

- Store administration and management
- Inventory and stock management
- Managing of receipts
- Theft management
- Customer service
- Sales promotion
- Employee morale

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

1. Store administration and management- this involves cleanliness, discipline, proper documentation, no objection certification for various products and skilful management of products and personnel.
2. Inventory management- it becomes the duty of the retail manager to check day to day and time to time the stock so as to ensure the product is made available at the counters. Not only the expected product availability has to be maintained but also the quality and shelf life has to be guaranteed. Inventory has to be evaluated correctly and receipts have to be properly maintained. With retail marketing shopping has taken a trendy and pleasurable affair. With all these changes customer service has become the most important service to be rendered in the marketing field. The customer has to be given maximum possible choice with a blend of perfect sales promotion from the

side of the retailer. So the overall picture of retail stores promotion has become a exclusive area of management.

All other 5 points to be detailed Characteristics and trends in retailing

- Interaction with the end consumers
- It enhances the volume of sales but the monetary value is less
- Customer service plays a vital role
- There is a tendency for automatic sales promotion
- With more outlets retail marketing creates visibility
- Location and layout plays a vital role.
- Creates employment opportunities to all age groups, gender , irrespective of qualification and religion.
- Generates job opportunities in flexi timings. Retail marketing creates a place, time and possession utility for a product.

Retailing Concepts-

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

Meaning of Retailing:

Retailing is one area of the broader term, e-commerce. Retailing is buying and selling both goods and consumer services. With more number of educated and literate consumers entering the economy and market, the need for reading the pulse of the consumers has become very essential. Retail marketing is undergoing radical restructuring. This is because of increase in gross domestic product, increase in per capita income, and increase in purchasing power and also the ever changing tastes and preferences of the people. The entry of plastic money, ATMs, credit cards and debit cards and all other consumer finances, the taste for the branded goods also added for the evolution of retail marketing. Retail marketing is not just buying and selling but also rendering all other personalized consumer services. With the RM picking up it has given a new look for various fast moving capital goods (FMCG) goods. This not only increased the demand for various goods in the market but also made retail marketing the second largest employment area, the first being agriculture.

Definition and Scope of Retailing:

Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Why Is Retailing Is Important? Retailers are the final link in the supply chain between manufacturers and consumers. Retailing is important because it allows manufacturers to focus on producing goods without having to be distracted by the enormous amount of effort that it takes to interact with the end-user customers who want to purchase those goods. Retailers should make the purchase of goods easy for the consumer. That's why retail stores have salespeople, why Internet shopping websites have customer service instant chat popups, and why catalogs have descriptions, photos, and toll-free phone numbers. Retailing is about displaying products, describing the features and benefits of products, stocking products, processing payments and doing whatever it takes to get the right products at the right price to the right customers at the right time. Some retailers offer additional services to the retail transaction like personal shopping consultations, and gift wrapping to add something extra to the retail customer experience and exceed the retail customer experience.

Retail organization

R

etail Formats Organized
Vs. Unorganized Retailing

The Indian retail industry is divided into organize d and unorganized sectors. The unorganized retail comprises of the local baniya or kirana shop, paan and beedi shops and the other owner manned general stores. These retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax.

On the other hand, the organized retail comprises of the licensed retailers who are registered for sales tax, income tax etc. and it comprises of the malls, supermarkets, hypermarkets etc.

I. Meaning of Unorganized Retail

"Unorganized retailing" is defined as an outlet which is run locally by the owner or the caretaker of a shop who lacks the **technical** and the **accounting standardization**. The supply chain and the sourcing are also usually done locally to meet the local needs.

Unorganized merchandising, refers to the normal formats of cheap retail, the native kirana retailers, the owner manned general stores, paan / beedi retailers, the convenience stores, hardware stores at the corner of one's street, small medical shops etc.

Small-store (kirana) retailing has been one of the easiest ways to generate what is called self-employment as it requires a very limited investment in land, capital and labour. It is generally a family run business; there is lack of standardization and the retailers who run this store lack education, experience and exposure.

Unorganised formats in Indian Retail

India encompasses a wealthy ancient history of retail trade. An outsized range of the business models (Unorganised formats) are living since long, and they still have their presence across the country. That may be the rationale why they are taken into thought at this stage of analysis. However, most of those models concentrate on food grains, cereals and alternative connected food stuff.

1. ***Mandis:*** Ruling the market hierarchy are mandis, which owe their development partly to government policies on agricultural marketing.

Mandis are agricultural markets set up by the state governments to procure the agricultural produce directly from farmers. These markets can be categorised as grain mandis, cotton mandis, soya mandis, vegetable mandis, etc.

2. ***Haats:*** Unlike the regulated markets, there are also unregulated markets known as *haats, peta, angadi, hatwari, shandies, chindies* or *painths.* A *haat* is a periodic market which exists typically at a village level. A *haat* can be said to be a public gathering of buyers and sellers of commodities, fruits, vegetables, household goods, clothes, accessories like bangles, etc.

These haats are the heart of every village's economic, social and cultural life as the producers as well as the farmers are very much dependent on them in their day to day life.

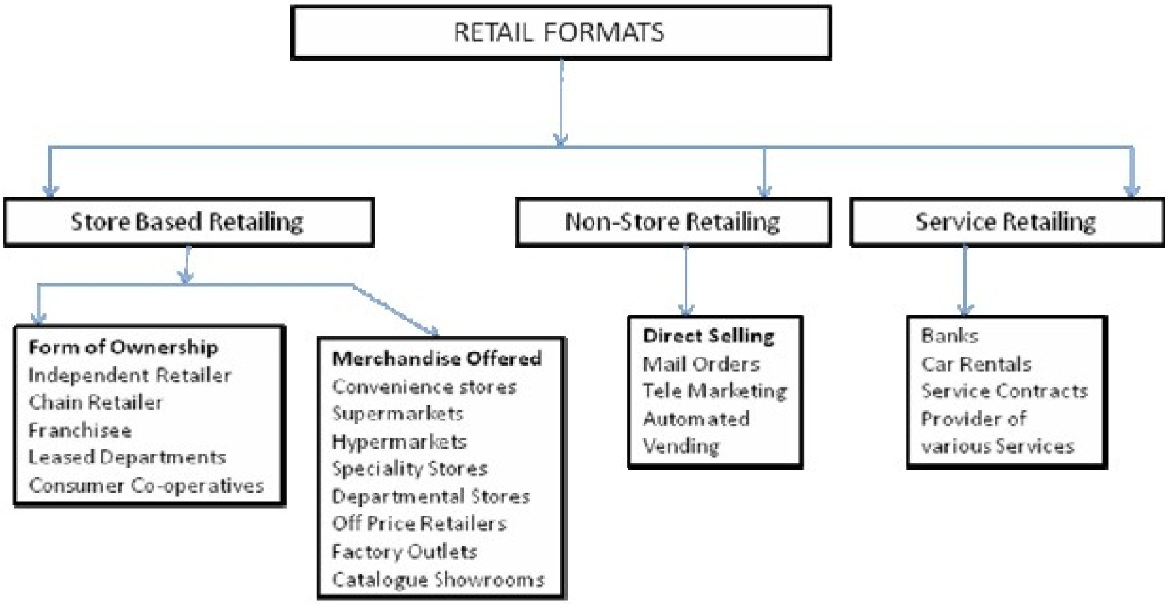
3. Melas: The rural life has another distinct feature with it and that is the melas which are quite popular in our country and around 25,000 of them are held each year. The classification of the melas can be done according to their nature as the commodity fairs and religious fairs; on the basis of the time period as one day, less than a week or weekly fairs. Normally, the melas have around 800 outlets

5.The Local Baniya/ Kirana: 'The local Baniya or the Kirana store as it is popularly referred to in India, is the nearby shop to one's home that stores goods of basic daily needs like staples, FMCG products and many a times certain snacks which are ready to eat. A typical store stocks close to 1000 units ranging from FMCG products like soaps, shampoos, toothpaste, hair oils, etc. to staples like dal, rice, pulses, etc. Most stores also stock daily provisions and grocery products like cooking oils, juices, dairy products, chocolates, masalas, dry fruits, etc. Some of the retailers also stock unbranded goods like idli mix, etc.

II. Meaning of Organized Retail

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

Classification of Organised Retail Formats and its Characteristics



Store based Retailing

A. Classification On The Basis Of Ownership:

i) Independent retailer: An independent retailer is one who owns and operates only one retail outlet. Normally such outlets have an owner or a proprietor and other working members in the outlet may be from the family. In India, there are a huge number of independent retailers ranging from a paanwala to stores like Amarsons. An independent retailer has certain advantages like an ease in an entry to the market, one to one rapport with customers etc. but on the other hand, the advantages of economies of scale and the bargaining power with the suppliers is limited.

ii) A chain retailer or a corporate retail chain: A corporate retail chain exists when two or more outlets are under common ownership, and are usually having the same merchandise, ambience, promotional schemes etc. Wills Sports (ITC), Louis Phillipe, Van Heusen, (Madura Garments), Arrow (Arvind Mills), Planet M, etc. are a few examples. These retail chains enjoy the bargaining power and also, cost effectiveness.

iii) Franchising: A franchise is a contractual agreement between the franchiser and the franchisee, allowing the franchisee to conduct a business under an established name as per a particular business format in return for a fee or compensation. 'Franchising may be of the following formats include, While the outlets of Van Heusen, Louis Philippe, Arrow and Benetton are examples of individual franchises in India, McDonald's operates at the level of two regional franchises. Pizza Hut, Domino's and Subway are also franchises operating in India.'

iv) Leased departments: 'These are also termed as shop-in-shops. When a part of a department in a retail store is leased / rented to an outside party, it is termed as a leased department and is a good way to expand the product offering and in India it is specially done for perfumes and cosmetics. Nowadays it is seen that the high traffic areas like malls, airports, multiplexes etc. are having the presence of small retail outlets or counters that are a part of larger retail chains and they have on display a small part of the products sold at the anchor store.

v) Consumer co-operatives: Consumer Cooperatives aim at providing essential commodities at cheap costs. As a national policy, shopper cooperatives are inspired and developed as a democratic establishment, owned, managed and controlled by its members, for cover of the interest of the common customers. The presence of shopper cooperatives has been operating as a force of the marketplace for the human. To some extent, it has been victorious in protecting the interest of the people and in cutting down the costs. Samples of co-operatives in India are the Sahakari Bhandar's and Apna Bazaar retailers in Mumbai and Super Bazaar in urban center. Over the years, shopper cooperatives have developed a worthy network of four-tier structure with 25,750 primary stores.

B. Classification On The Basis Of Merchandise Offered:

i) Convenience stores: These are relatively small stores located near residential areas, are open for long hours, throughout the week offering a limited variety of convenience products. The size of the store is between 3000-8000 sq.ft. These kinds of stores are still not very popular in India, but the stores at the petrol pumps in major cities like HP Speed Mart and In & Out can be termed as convenience stores. An important point to be thought of in Indian context is whether the local *baniya* is similar to a convenience store.

ii) Supermarkets: Supermarkets are usually characterized by large, low cost, low margin, high volume self-service market designed to meet the food and nonfood items need of the consumers. The most widely used definition of a supermarket is that of a store with a selling area of between 400 sq.m and 2,500 sq.m selling at least 70% of its merchandise comprising of foodstuffs and everyday commodities.

iii) Hypermarket: The word hypermarket is derived from the French word ***'hypermarche'***, which is a combination of a supermarket and a department store and has a sales area of over 2,500 sq. m with minimum 35% selling space for non-grocery products. Hypermarkets area unit these days are substitutable with one stop looking. These stores sometimes have the most affordable costs. They nearly always have their own gas station on the positioning. Different facilities on the positioning embody banks with money machines, picture process outlets and pharmacies.

A key part of differentiation between the supermarket and also the different retail formats is that they are usually destination locations. The hypermarkets area unit is designed to draw in customers from a considerably massive space with their low value offers. ***Examples*** of hypermarkets in India include Giant, Big Bazaar and Star India Bazaar.

iv) Speciality stores: A specialty store refers to a store that stores a particular type of merchandise or a single product of durable goods like furniture, household goods, consumer electronics etc. Such a business model is characterised by a high level of sendee or product information being made available to customers.

These are characterised by a narrow product line, with product depth concentrating mostly on jewellery, apparels, furniture etc. Examples of specialty stores in India include retail chains like Pro-line fitness station and Gautier furniture.

v) Department stores: A department store is a large scale outlet often multi-leveled that offers clothing, accessories, cosmetics, household goods etc. from more or less separate departments on different floors. While department stores have been around in India for a long time, this format of retailing has been a fair amount of action over the past few years. In this category, the players are Shopper's Stop, Globus, Westside, Lifestyle etc.

vi) Off price retailers: Here, the merchandise is sold at costs lower than that at retail stores. Off-price retailers purchase manufacturers' seconds, overruns or off seasons at a deep discount. The merchandise that is offered in these stores may be in odd sizes, colors may be unpopular or some minor defects may be there. These kind of stores may be a part of some parent company or they may be a kind of specialty store. The factory outlets in case the manufacturer owns them, may stock only company merchandise. Examples of these include Pantaloon Factory Outlets, Levi's Factory Outlets, etc. On the other hand, off price retailers owned by the specialty or departmental store may sell merchandise from the parent company as well as merchandise acquired from other retailers.

vii) Catalogue showrooms: Catalogue retailers are those where the customer comes and places the order through a catalogue of the product/s that he would like to buy and then arrangement is done to bring the product from the warehouse for purchase by the customer. Some of the popular catalogue showroom retailers in the world include Argos, Service Merchandise and Best Products. India's most exciting retail store, Hyper City, has joined forces with Argos, the UK's best loved high street name, to bring a new shopping experience to the customer.

Non- Store based Retailing

Non store selling is the absence of the shop and selling on to the client and might take the shape of direct commercialism and direct response promoting. Whereas within the former, direct personal contact must be there, within the latter but, awareness of the merchandise or services are often created accessible through mails, catalogues, phone, TV or net.

a) ***Mail Order selling / Catalogue selling:*** Personal commercialism and store operations area unit is eliminated during this sort of retailing and is sometimes applicable for the specialty merchandise. The client databases are prepared to develop targeted catalogues that attract to slim target markets. The essential characteristic of this type of selling is convenience.

b) ***Tele-marketing:*** Asian Sky search was among the primary to introduce TV looking in Asian country. This sort of selling needs the publicity of the merchandise on TV discussing its options, price, guarantee etc. An inventory of phone numbers area unit provided for every town so that the customer can take decision and place the order for the merchandise which can be delivered at home.

c) ***Automated vending/ kiosks:*** This is the foremost impersonal mode of selling. However, it provides associate ease and access to customer's 24-hrs on a daily basis. The foremost unremarkably seen examples in Asian country area unit are tea and coffee machines at the airports. Not to forget the foremost roaring example in Asian country is that the cash dispenser Machines operated by the banks. This type of selling is incredibly fashionable abroad and is employed unremarkably for soft drinks, newspapers, cigarettes and candy.

d) ***The cash & carry:*** The term 'Cash & Carry' as per the name suggests refers that customers do their own order selecting, pay in money and carry the merchandise away. The money and carry could be a wholesale format that aids tiny retailers and businessmen.

<u>Services Retail</u>

Services retail would involve the retail of assorted services to the top client. Key services areas are:

• Retail Banking

• Car Rentals

• Various services like electricity, gas, etc.

• Service contracts which can be entered into for a couple of durable goods like maintenance of water filters, laptop systems, etc.

A key space among services retail is retail banking. The operating of retail banking deals carefully with the dealing of business banks with individual customers which incorporates merchandise like fastened, current savings accounts on the liabilities side; and mortgages and loans (e.g., personal, housing, auto, and educational) on the assets aspect.

The typical merchandise offered within the Indian retail-banking section area unit the assorted loans like housing loans, consumption loans for purchase of consumer goods, auto loans, credit cards and academic loans. Still, regular up-gradation is needed within the banking sector for itself and the banks It is interesting to note that retail formats can also be mapped in the concept of the lifecycle. This mapping is with reference to the time when they evolved and the current status with reference to the overall sales and customer acceptance.

EMERGING TRENDS IN RETAIL FORMATS

1. **Van/Mobile Van Retailing:** This is a compromise between door to door selling and store selling. In this type of retail business, retailer keeps one day stock of his merchandise and goes to an area to serve its permanent customers. Sometimes retailers visit some areas which are totally new to them to attract new customers. The kind of products sold in Van retailing can range from everyday household products to different kinds of eatables. The various van goods include soaps, detergents, kitchen appliances, scrubbers, and several other cleaning products. There are some vans which designed to operate at extremely low temperatures. In these types of van customers will find all kinds of in frozen food such as vegetables, meat, dairy products, and ice. In the rural areas this kind of selling of goods still exists though it is not quite popular in metropolitan cities. In some states van retailing may be subject to regulations and entail licensing. State regulations determine the area that van sales can cover and the products that are allowed to be sold. Van retailing is usually found in remote/rural areas and is of two types:

- **Static retailing:** Under this sort of retailing, such vans are parked in public areas where customer traffic is usually high. The items sold under static retailing are snacks and junk food.

- **Raving retailing:** It is where retailer takes his van to one house to another, selling merchandise to customers at their doorstep.

2. Conference/Party/Event Retailing: In this sort of retailing, retailer invite people from nearby localities and after describing positive aspects of the merchandise, sells it. These types of get together/events are organized by the franchisor (retailer) belonging to a big organization. The products sold under such form of retailing vary from cosmetics from small household items that are of low cost. In order to attract customers, retailer usually distributes sample merchandise or gives some demonstration regarding effective use of his items offered on sale. Event retailing usually takes place on national or regional level events such as Valentine Day, Mother's Day, Father's Day, Diwali, etc. Gold retailing on the day of 'Akshaya Tritiya' in most of the parts of the country is one of such example of event retailing. Some events are food related like Annual Mango festival at Pragati Maidan, Delhi organized by Delhi Tourism in collaboration with Delhi Government. Further food festivals, special food offers being offered on the occasion of 'Karva Chauth and Navratra in India are none other than event retailing.

3. Distant Retailing: As the very name suggests, under distant retailing, a customer place the order from a remote location by telephone, SMS, internet, pager etc, instead of visiting a store. Retailers who provide such home delivery facility may/may not have physical stores. The leading global retailers who follow such practice are Amazon, Wal- Mart, Arkay Hygiene. The main advantage of such sort of retiling is that any type of item can be supplied by the retailer on demand. The range of items offered depends on the customers' demand, and retailers' resources and the infrastructure of the concerned region.

4. Forecourt Retailing: A new emerging concept in retailing is the establishments of stores in front of large buildings of high traffic areas. This concept caught public attention with oil companies trying to allow private companies to set up convenience stores at their fuel station outlets. The aggressive players in this area are HPCL, IOC, BPCL and Reliance. According to a Business Standard report, Vishal Mega Mart has tied up with Hindustan Petroleum Corporation Ltd (HPCL) for opening forecourt retail stores chain, which has been branded as "Vishal Corner Mart" will set up convenience stores at fuel station outlets of HPCL. These marts besides offering convenience goods and services would also provide travel solutions and other facilities as a 'one stop solution'. Previously, Apollo Pharmacy had tied up and set up 'convenio' stores at Indian Oil Corporation (IOC) petrol pump outlets for supplying groceries and medicines. This experiment was well appreciated by business critics but it did not succeed, perhaps, on account of problems in revenue sharing model. Similarly Kishore Biyani-led Future group had also tied up with IOC to set up fuel pumps in Big Bazaar premises and Big Bazaar stores in IOC premises. However, nothing seems to have emerged so far.

5-Trade Parks: Retailing through trade parks is a recent retail practice and is practiced only in metres and big cities. Under this concept, business complexes are being set up for promotion of retail trade especially the international trade. Some of the examples are India Exposition Mart set up by Handicraft Export Promotion Council in Greater Noida, International Home Deco Park (IHDP) set up by a group of private investors in Noida and World Trade Park coming up in Jaipur. IHDP plans to provide International buyers ready access to approximately sixty world class Indian exporters belonging to Home Furnishings segment. This effort of IHDP would be beneficial to buyers as they would not have to go to remote towns to see the designs and samples of exporters. Exporters apart from getting increased visibility will also get other facilities such as design library, design studio, forwarding services and so on. The parks are built to promote trade and are open to international buyers and buying houses only.

RETAIL CONSUMER BEHAVIOUR

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

Buying Decision Process:

The buying decision process is the decision-making process used by consumers regarding market transactions before, during, and after the purchase of a good or service. It can be seen as a particular form of a cost–benefit analysis in the presence of multiple alternatives. Common examples include shopping and deciding what to eat. Decision-making is a psychological construct. This means that although a decision can not be "seen", we can infer from observable behaviour that a decision has been made. Therefore, we conclude that a psychological "decision-making" event has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.There are six stages to the consumer buying process, and as a marketer,

1. Problem Recognition

Put simply, before a purchase can ever take place, the customer must have a reason to believe that what they want, where they want to be or how they perceive themselves or a situation is different from where they actually are. The desire is different from the reality – this presents a problem for the customer. However, for the marketer, this creates an opportunity. By taking the time to "create a problem" for the customer, whether they recognize that it exists already or not, you're starting the buying process. To do this, start with content marketing. Share facts and testimonials of what your product or service can provide. Ask questions to pull the potential customer into the buying process. Doing this helps a potential customer realize that they have a need that should be solved.

2. Information Search

Once a problem is recognized, the customer search process begins. They know there is an issue and they're looking for a solution. If it's a new makeup foundation, they look for foundation; if it's a new refrigerator with all the newest technology thrown in, they start looking at refrigerators – it's fairly straight forward. As a marketer, the best way to market to this need is to establish your brand or the brand of your clients as an industry leader or expert in a specific field. Methods to consider include becoming a Google Trusted Store or by advertising partnerships and sponsors prominently on all web materials and collaterals. Becoming a Google Trusted Store, like CJ Pony Parts – a leading dealer of Ford Mustang parts – allows you to increase search rankings and to provide a sense of customer security by displaying your status on your website. Increasing your credibility markets to the information search process by keeps you in front of the customer and ahead of the competition.

3. Evaluation of Alternatives

Just because you stand out among the competition doesn't mean a customer will absolutely purchase your product or service. In fact, now more than ever, customers want to be sure they've done thorough research prior to making a purchase. Because of this, even though they may be sure of what they want, they'll still want to compare other options to ensure their decision is the right one. Marketing to this couldn't be easier. Keep them on your site for the evaluation of alternatives stage. Leading insurance provider Geico allows customers to compare rates with other insurance providers all under their own website – even if the competition can offer a cheaper price. This not only simplifies the process, it establishes a trusting customer relationship, especially during the evaluation of alternatives stage.

4. Purchase Decision

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

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

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

5. Purchase

A need has been created, research has been completed and the customer has decided to make a purchase. All the stages that lead to a conversion have been finished. However, this doesn't mean it's a sure thing. A consumer could still be lost. Marketing is just as important during this stage as during the previous. Marketing to this stage is straightforward: keep it simple. Test your brand's purchase process online. Is it complicated? Are there too many steps? Is the load time too slow? Can a purchase be completed just as simply on a mobile device as on a desktop computer? Ask these critical questions and make adjustments. If the purchase process is too difficult, customers, and therefore revenue, can be easily lost.

6. Post-Purchase Evaluation

Just because a purchase has been made, the process has not ended. In fact, revenues and customer loyalty can be easily lost. After a purchase is made, it's inevitable that the customer must decide whether they are satisfied with the decision that was made or not. They evaluate If a customer feels as though an incorrect decision was made, a return could take place. This can be mitigated by identifying the source of dissonance, and offering an exchange that is simple and straightforward. However, even if the customer is satisfied with his or her decision to make the purchase, whether a future purchase is made from your brand is still in question. Because of this, sending follow-up surveys and emails that thank the customer for making a purchase are critical.

Important Factors That Influence The Buying Decision

1. Economic Factor

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

2. Functional Factor

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

3. Marketing Mix Factors

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

4. Personal Factors

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

5. Psychological Factor

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

6. Social Factors

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

7. Cultural Factors

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

Consumer Buying Behavior Defined:

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

Definition of Buying Behavior:

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

Stages of the Consumer Buying Process

The 6 stages are:

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

**Informati
on
search--**

Internal search, memory. External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc. A successful information search leaves a buyer with possible alternatives, the evoked set. Hungry, want to go out and eat, evoked set is chinese food, Indian food , burger king etc.

Evaluation of Alternatives-- need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, indian gets highest rank by "framing" alternatives.

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

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

Post-Purchase Evaluation--outcome: Satisfaction or Dissatisfaction. ***Cognitive Dissonance***, have you made the right decision. This can be reduced by warranties, after sales communication etc. After eating an indian meal, may think that really you wanted a chinese meal instead.

Service satisfaction:-

The 5 Ps of Customer Service & Satisfaction Customer service in its truest essence, is an abstract concept. It involves your customer's perception of the value expected from you and the value you actually delivered. In cases where both of them match, a customer is said to be satisfied with your business. There are a number of factors that affect customer satisfaction, such as the product's or service's quality, the ambience, price, post purchase services and much more. For all businesses big and small, it is of common knowledge that customer satisfaction is a necessary and determining factor for customer loyalty. I have condensed the factors that can make or break customer satisfaction for your business, under 5 Ps (Marketers love Ps, don't they?): Here are the factors to achieve & ensure customer satisfaction

1. Product

The product is your 'core' offering to the customer in return for a price. It is the first and real value on which the customer judges you and the most important factor on which customer satisfaction depends. Imagine going to a saloon where the ambience, service and seating are better than the fine dining restaurant you visited last Thursday. The guy offers you excellent coffee and asks you to take a seat and then gives the most horrible haircut of your life. Would you ever be satisfied with the saloon?

2. Policies

Policies are guidelines that direct the company as whole to function in ways to ensure customer satisfaction. They show the intent of the business towards achieving customer delight. If the policies do not define customer satisfaction, just your sweet talks are not going to cut it.

3. People

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

4. Processes

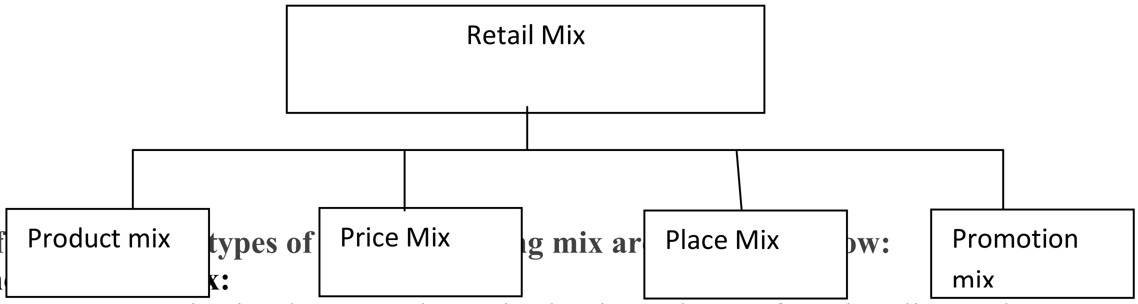
Processes are the implementable steps that make the customer satisfaction strategy, a reality. Customer satisfaction, when implemented to scale, become highly cumbersome to handle. The last thing you would want is your support guys failing on promises they make.

5. Proactively

Proactively is the ability to take steps and adopt changes in your business' structure to ensure customer satisfaction. It encompasses everything from product development according to the customer's needs,

etail marketing mix

The various communication devices are used to educate, inform and generate awareness about the merchandise and the services offered by the retailer. These efforts also aim at building store image. The most common modes used for promotion are advertising, sales promotion, personal selling, public relations and publicity. Promotion mix employed by the retailers should be compatible with the desired store image, provide scope for modification if need arises and fit within the budget allocation. Therefore, various retail promotion methods can be compared on the basis of degree of control, flexibility, credibility and cost associated with them.



The f types of g mix ar ow:
1. Th x:

Every organization has a product mix that is made up of product lines. The variety of products that a company produces, or that a retailer stocks is known as 'product line'. It is a broad group of products, intended for similar uses and having similar characteristics. The product mix is the set of all the products offered for sale by a company. It refers to the length (the number of products in the product line), breadth (the number of product lines that a company offers), depth (the different varieties of product in the product line), and consistency (the relationship between products in their final destination) of product lines. Product mix is sometimes called 'product assortment'.

The basic components of product mix are:

(i) Services
(ii) Packaging
(iii) Brand
(iv) Product Item and
(v) Product line

The various product mix strategies are:

(i) Launching new products from time to time
(ii) Alteration of Existing Products
(iii) Eliminate an entire line or reduce assortment within it
(iv) Trading Up
(v) Trading Down
(vi) Product life cycle management

The retail product mix is device so as to develop an appropriate promotion strategy for the store depending on the target market to be reached. Once the target market is identified and positioning strategy defined, the retailers employ various tools of product mix to reach out to consumers. These efforts also aim at building store image. Retailers usually employ a combination of various elements of product mix to achieve promotional and business objectives. The degree and the nature of usage of each of the promotion methods depend on the objectives of the retail firm, product, market profile, and availability of resources.

2. The 'Price' Mix:

Price has always been one of the most important variables in retail buying decision. It is the factor which makes or mars a retail organization. It is also the easiest and quickest element to change. Pricing helps an organization to achieve its objective. This is particularly significant for new market entrants who need to first establish a brand and then enjoy increasing profits as the brand gets market acceptability. For a customer, price is the main reason to visit a particular store. A pricing strategy must be consistent over a period of time and consider retailer's overall positioning, profits, sales and appropriate rate of return on investment. Lowest price does not necessarily may be the best price, but the lowest responsible price is the best right price. The difference between price and cost is the profit, which can be very high when the salesperson wants to exploit an urgent situation. To survive in the retail business, retailers need to seek cash flow, profitability and overall growth in order to consolidate their market position. But pricing cannot be determined in isolation. Costs and operating expenses are equally important while establishing the retail price. Servicing pricing pursues the 'doctrine of pricing of goods', therefore, they are either cost-based or market based. Within this, these pricing can be profit oriented, government controlled, consumer oriented or competition oriented. Pricing needs certain considerations before actually determining it. The market position of the product, consumer perception and stage of the product life cycle, competitor's strategy and overall marketing strategy needs to be considered.

The components of price mix are:

(i) Organizational objectives
(ii) Competition
(iii) Cost and profit
(iv) Credit terms
(v) Discount etc.
(vi) Fixed and variable costs
(vii) Pricing options
(viii) Pricing policies
(ix) Proposed positioning strategies
(x) Target group and willingness to pay

3. The 'Place' Mix:

The retailer should keep in mind the fact that his 'product' should be available near the place of consumption so that the consumers can easily buy it. If the brand preferred by the consumer is not easily available at a convenient location, he may buy some other brand in the same product category. Hence, the retailer has to ensure that the product is available to the target consumers whenever required. There are two major components of place: marketing channels and physical distribution (logistics management). Channel decisions affect considerably the elements of marketing mix and involve a long term commitment of resources. Intermediaries involved in channel network are independent (at times contractual) organizations hence their needs must be taken into account while evaluating channel alternatives. The success of marketing efforts, to a large extent depends on the sound distribution network. Physical distribution involves transportation, warehousing, material handling, bulk packaging etc. Some of these activities are carried out by intermediaries. A considerable coordination is required among various channels to seek maximum results of marketing operations.

Following are the components of a retail price mix:

(i) Distribution channels
(ii) Intermediary
(iii) Distance Factor
(iv) Inventory Level
(v) Transportation
(vi) Warehousing and Storage

4. The 'Promotion' Mix:

After deciding upon the budget, retailer should determine the appropriate promotional mix – a combination of advertising, public relations, personal selling and sales promotion. Small retailers having limited funds may use store displays, hoardings, direct mail, flyers and publicity methods to attract customer traffic, while on the other hand, retailers having no bar on finance, may use print or television media for their sales promotion activities. The retail promotion mix varies from retailer to retailer and nation to nation depending upon technological advancement, nature of competition and availability of finance etc. Retailers design a promotional mix in compliance with store's objectives such as positioning of the organization, attracting customers, increasing sales turnover, clear out seasonal merchandise, announcing special events and educating public about the organization and its offerings. Retailers generally spend their promotional budget on developing advertisement campaigns and on other sales promotion activities. A retailer has a variety of sales promotion methods to promote its goods and services. Therefore, promotion mix used by the retailer should be compatible with the desired store image, budget allocation and flexible enough to modify whenever need arises.

These various promotional vehicles may by compared on the basis of following issues:

(i) Cost of the method
(ii) Its reach
(iii) Degree of flexibility
(iv) Credibility
(v) Control over media

Other marketing mixes are

5- Presentation

The manner in which the merchandise is presented at the store level is very important. The aspect not only deals with the store layout and the ambience create but also with visual merchandising Visual merchandise is the orderly, systematic and intelligent way of putting stock on display in the retail store.

6- Customer service

The services that a retailer offers have become very important today. The credit policies and the product returns policies need to be clear not only to the sales staff but also to the end customer. Relationship marketing , data warehousing and customer relationships managemtn are the new buzz words in the industry today.

7- People-

The retail industry is characterized by large number of in experienced workers who need to put in long hour of work. Most of the time these employees are indirect contact with the customer and may face unreasonable customer. The people who work at the front end of a retail organization are very important as they are the face of the organization for the customers

Their attitude, behavior, manners and product knowledge plays a very important role in building long term relationships with the customer.

Definition of Retail Market 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 on which the retailer plans to build a sustainable competitive .

Elements in retailing strategy

1. Target Market- The market segment(s) towards which the retailer plans to focus its resources and retail mix.

Segments in terms of demographic, lifestyle buying situation or geographic location.

Ex: Nike and Puma outlets

2. Retail formats:

The format of a retailer is the overall appearance and feel that it presents to customers, primarily its look and layout, the sort of range it stocks and the approach taken to pricing

The retail format describes the nature of retailer's operations- its retail mix

Some Types of retail formats:

1. **Mom-and-pop stores (Ex: Kirana)**
2. **Hypermarkets/ Supermarkets (**Ex: Big Bazaar.)
3. **E-retailers (Ex Amazon.in)**

3. Building a sustainable competitive advantage:

Three approaches for developing a sustainable competitive advantage are:

1. Building strong relationship with customers
2. Building strong relationship with suppliers
3. Achieving efficient internal operations

Building strong relationship with customers

- Customer Loyalty
- Brand Image
- Positioning
- Unique Merchandise
- Customer service
- Customer Relationship Management

Efficiency of Internal Operations:

Efficient internal operations enable retailers to have a cost advantage over competitors or offer customers more benefits than do competitors at the same cost.

- Human Resource Management
- Distribution and Information system.
- Location
- Multiple source of advantage

IMPACT OF INFORMATION TECHNOLOGY IN RETAILING

Technology plays an important role in today's business environment. Many companies greatly rely on computers & software to provide accurate information to effectively manage their business. It is becoming increasingly necessary for all business to incorporate information technology solutions to operate successfully. Over the past ten years, information technology has become pervasive throughout our society. We live in a networked world with internet access from our offices, at our coffee shops, at our homes, & on our mobile devices. IT is central to an organization's success in that it provides critical day-to-day operational support & enables enterprise wide change.Let us consider an example of a customer at a department store. After selecting some goods he proceeds towards the billing counter. Here the billing clerk scans each product at the POS (point of scale) terminal the total number of items & the bill amount is added up. While doing so he has so checked with the customer if he is a member of the store's loyalty programs. The customer confirms that he is gives him the store card for entry makes the payment by way of credit card & exits the store with his purchases.

Non-store Retailing (e-retailing)

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

Types of Non-store retailing

- Direct selling Tele marketing
- Automatic vending
- Electronics retailing
- Internet Marketing

1. Direct selling

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

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

Methods of direct selling

Sale at the manufacturer's plant or head office

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

House to house selling

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

Sales by mail order method

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

Sale by opening own retail shops

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

Sale through mechanical devices

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

1. Suitable to small manufacturers -The manufacturers who are conducting activities on small scale basis, they may sell their products directly to consumers.
2. Success of new product - The manufacturer can impress upon the consumer in a better way as compared to wholesales & the retailers.
3. Increased sales - Direct consumer selling results in reducing the profits margin of middlemen & helps to customers to get the products at comparatively cheap price.
4. Personal attention - In direct selling, personal attention can be provided to cater to the needs of the customers.
5. Market information -By resorting to direct consumer selling, a manufacturer establishes a direct link with the customers & can gather valuable information with regard to customer's response, likes, dislikes & utility of the product.

Limitations of Direct Consumer Selling

1. Problems of recruitment & training of salesmen

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

2. Expensive

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

3. Suitable for limited number of products

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

4. Limited scope

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

Tele Marketing

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

Types of Tele Marketing

1. INBOUND TELE MARKETING: It consists of handling incoming telephone calls- often generated by broadcast advertising, direct mail, or catalogues- and taking orders for a wide range of products.
2. OUTBOUND TELEMARKETING: It can be aimed directly at the end consumer; for example, a home repair business may call people to search for prospects and customers.

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

ELECTRONIC RETAILING (E-TAILING)

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

Key Strengths of e-tailing

1. Round the clock Business: With this distinct mechanism of commerce, the merchant can sell round the clock, everyday of the week, 24 hours a day and 365 days a year.
2. Consumer Convenience: Economy and convenience are the

important reasons for investing and going on net transactions. Trading online makes it easy for people to buy from merchants online. The convenience of shopping from anywhere and at any time, from home or office is the major reason for consumers to buy online.

3. Level Playing Field: On internet no one knows you are a small business. As long as you have a product to sell or buy, you are on net. All you need is an e-mail identity where millions of those potential buyers and suppliers can reach and be ready to do the business with you.

4. Cost effective: As a medium of business, the Net affords the lowest transaction costs among all other methods of doing business.

5. Simplicity: The advancement is sophisticated communication technology has revolutionized the designing of Internet Technology. It is easy to use and the credit order can be possessed on the spot.

6. Improved Customer Service: With the emergence of e-commerce the supply chain is shortened. It improves services given to the customers, increases the productivity, efficiency, access to international market and cost reduction.

7. Lower Transaction Cost: If an e-commerce site is developed well, the web can significantly lower both order-taking cost and customer service cost.

8. Access to all markets: With the web marketing, a marketer located in any part of the globe can compete in the market of the whole world.

9. Reduction in setup cost: With web marketing, marketers can conduct his operation without decorative showrooms or retail shops.

10. Many products and services from single shop: A web marketer can offer a variety of services and products to the consumer from a single website, a single stop on the net. He is able to do this because the web provides direct and interactive access to the customer.

11. Quick Service: In modern times, speed has become a major ingredient of successful marketing. The marketing process can be completed with in a shortest possible time. This helps the marketer to enhance customer value.

12. Building relationship: Like other direct marketing methods, web marketing also helps build relationship with customers. On the web

the marketer can provide lot of information about the product.

13. Enhanced productivity of sales: Web marketing also helps sales people to be more productive. Since basic transactions are taken care of by the computer programme, sales people are free to devote their time for more meaningful tasks.

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

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

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

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

18. Customer loyalty: trading on the internet with security promotes customer loyalty.

Online buyers tend to return to sites once they have visited before.

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

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

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

22. Increase market share: the infernet is everywhere. It is changing the business environment in a great way. Small business are using it to reach wider section of consumers. Retailers on the internet are doing potential business ongroceries, books, toys, music, electronic goods & sending e-greetings to the customers.

CHALLENGES OF E-RETAILING

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

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

Lack of awareness

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

Lack of infrastructure

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

Lack of confidence

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

Skeptic attitude

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

Credit card frauds

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

Absence of Tax Laws

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

Cyber laws

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

Stock dilemma

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

Lack of strength

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

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

Lack of skills & expertise

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

1. Internet outrage

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

2. Absence of cyber brand image

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

3. Inadequate government role

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

4. No emphasis on commercial exploration

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

5. No encouragement from business community

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

6. Preferring foreign sites

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

7. Inactive Indian software houses

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

8. Cyber competition

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

9. Difficulty of engineering

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

10. Skepticism

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

11. Internet for small business

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

12. Blocking & censorship

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

13. Infant stages

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

14. Barriers-survey findings

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

AUTOMATIC VENDING

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

Information technology in retailing

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

Integrated systems & networking

Business process integration aims to eliminate redundancies & in consistencies among the multiple processes that an organization uses to conduct its day to day work. Business process integration also seeks to recognize & effectively manage interdependencies between processes. Business integration helps integrate business process, people, applications & information. Technology integration helps integrate the underlying IT infrastructure that supports business processes, such as directory services & security policies, storage & operating environment. The integrated system enables process automation, disseminate timely & accurate information which results in improved managerial & employees decision making.

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

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

DI

Electronic Data interchange (EDI) is an electronic communication system that provides standards for exchanging data via any electronic means. By adhering to the same standard, two different companies, even in two different countries can electronically exchange documents. EDI is the most commonly used B2B e-commerce technology. The EDI process involves the electronic interchange of business information-or-data between two organizations called ‘Trading Partners’.

Steps involved in EDI

Steps the sender must take Document preparation Information necessary to produce a business document is collected in an electronic file.

Outbound translation

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

Outbound communication

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

Steps the Receiver Must Take

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

Inbound translation

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

Document processing

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

Bar Coding

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

Advantages of Bar Coding

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

Barcodes eliminate the possibility of human error. The occurrence of errors for manually entered data is significantly hired than that of bar codes. Using a bar code system reduces employee training time. It takes only minutes to master the hand-held scanner for reading barcodes. Bar codes are inexpensive to design & print.

Electronic article surveillance (EAS)

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

An electronic shelf label (ESL)

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

Customer database management system

Customer database management system (CDM)is the way in which businesses keep track of their customer information & survey their customer base in order to obtain feedback. CDM embraces a range of software or cloud computing applications designed to give large organizations rapid & efficient access to customer data. CDM encompasses the collection, analysis, organizing, reporting & sharing of customer information throughout an organization. Efficient CDM solutions provide companies with the ability to deal instantly with customer issues & obtain immediate feedback. As a result, customer retention & customer satisfaction can show dramatic improvement.

Module II

Topics to discuss

- Retail Location decisions
- Merchandise planning
- Managing Assortments
- Store Management
- Layout
- Design
- Space Management
- Visual Merchandising
- Retail Aesthetics
- Retail Atmospherics

- Retail Equity

Retail location decision

Retail store location is also an important factor for the marketing team to consider while setting retail marketing strategy. Here are some reasons:

- Business location is a unique factor which the competitors cannot imitate. Hence, it can give a strong competitive advantage.
- Selection of retail location is a long-term decision.
- It requires long-term capital investment.
- Good location is the key element for attracting customers to the outlet.
- A well-located store makes supply and distribution easier.
- Locations can help to change customers' buying habits.

Trade Area: Types of Business Locations

A **trade area** is an area where the retailer attracts customers. It is also called **catchment area**. There are three basic types of trade areas:

Solitary Sites

These are single, free standing shops/outlets, which are isolated from other retailers. They are positioned on roads or near other retailers or shopping centers. They are mainly used for food and non-food retailing, or as convenience shops. For example, kiosks, mom-and-pop stores (similar to *kirana* stores in India).

Advantages: Less occupancy cost, away from competition, less operation restrictions.

Disadvantages: No pedestrian traffic, low visibility.

Unplanned Shopping Areas

These are retail locations that have evolved over time and have multiple outlets in close proximity. They are further divided as:

- Central business districts such as traditional "downtown" areas in cities/towns.
- Secondary business districts in larger cities and main street or high street

locations.

- Neighborhood districts.
- Locations along a street or motorway (Strip locations).

Advantages: High pedestrian traffic during business hours, high resident traffic, nearby transport hub.

Disadvantages: High security required, threat of shoplifting, Poor parking facilities.

Planned Shopping Areas

These are retail locations that are architecturally well-planned to provide a number of outlets preferably under a theme. These sites have large, key retail brand stores (also called "**anchor stores**") and a few small stores to add diversity and elevate customers' interest. There are various types of planned shopping centers such as neighborhood or strip/community centers, malls, lifestyle centers, specialty centers, outlet centers.

Advantages: High visibility, high customer traffic, excellent parking facilities.

Disadvantages: High security required, high cost of occupancy.

Factors Determining Retail Locations

The marketing team must analyze retail location with respect to the following issues:

Size of Catchment Area: *Primary* (with 60 to 80% customers), *Secondary* (15 to 25% customers), and *Tertiary* (with remaining customers who shop occasionally).

Occupancy Costs: Costs of lease/owning are different in different areas, property taxes, location maintenance costs.

Customer Traffic: Number of customers visiting the location, number of private vehicles passing through the location, number of pedestrians visiting the location.

Restrictions Placed on Store Operations: Restrictions on working hours, noise intensity during media promotion events.

Location Convenience: Proximity to residential areas, proximity to public transport facility.

Steps to Choose the Right Retail Location

A retail company needs to follow the given steps for choosing the right location:

Step 1 - Analyze the market in terms of industry, product, and competitors - How old is the company in this business? How many similar businesses are there in this location? What the new location is supposed to provide: new products or new market? How far is the competitor's location from the company's prospective location?

Step 2 – Understand the Demographics – Literacy of customers in the prospective location, age groups, profession, income groups, lifestyles, religion.

Step 3 – Evaluate the Market Potential – Density of population in the prospective location, anticipation of competition impact, estimation of product demand, knowledge of laws and regulations in operations.

Step 4 - Identify Alternative Locations – Is there any other potential location? What is its cost of occupancy? Which factors can be compromised if there is a better location around?

Step 5 – Finalize the best and most suitable Location for the retail outlet.

Measuring the Success of Location

Once the retail outlet is opened at the selected location, it is important to keep track of how feasible was the choice of the location. To understand this, the retail company carries out two types of location assessments:

Macro Location Evaluation

It is conducted at a national level when the company wants to start a retail business internationally. Under this assessment, the following steps are carried out:

Detailed external audit of the market by analyzing locations as macro environment such as political, social, economic, and technical.

Most important factors are listed such as customer's level of spending, degree of competition, Personal Disposable Income (PDI), availability of locations, etc., and minimum acceptable level for each factor is defined and the countries are ranked.

The same factors listed above are considered for local regions within the selected countries to find a reliable location Micro Location Evaluation

At this level of evaluation, the location is assessed against four factors namely:

Population: Desirable number of suitable customers who will shop.

Infrastructure: The degree to which the store is accessible to the potential customers.

Store Outlet: Identifying the level of competing stores (those which the decrease attractiveness of a location) as well as complementary stores (which increase attractiveness of a location).

Cost: Costs of development and operation. High startup and ongoing costs affect the performance of retail business.

Merchandise Planning

What isMerchandising?

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing.

Merchandising presents the products in retail environment to influence the customer's buying decision.

Types of Merchandise

There are two basic types of merchandise:

Staple Merchandise	Fashion Merchandise
It has predictable demand	It has unpredictable demand
History of past sales is available	Limited past sales history is available
It provides relatively accurate forecasts	It is difficult to forecast sales

Factors Influencing Merchandising

The following factors influence retail merchandising:

Size of the Retail Operations

This includes issues such as how large is the retail business? What is the demographic scope of business: local, national, or international? What is the scope of operations: direct, online with multilingual option, television, telephonic? How large is the storage space? What is the daily number of customers the business is required to serve?

Shopping Options

Today's customers have various shopping channels such as in-store, via electronic media such as Internet, television, or telephone, catalogue reference, to name a few. Every option demands different sets of merchandising tasks and experts.

Separation of Portfolios

Depending on the size of retail business, there are workforces for handling each stage of merchandising from planning, buying, and selling the product or service. The small retailers might employ a couple of persons to execute all duties of merchandising.

Functions of a Merchandising Manager

A merchandising manager is typically responsible to:

- Lead the merchandising team.
- Ensure the merchandising process is smooth and timely.
- Coordinate and communicate with suppliers.
- Participate in budgeting, setting and meeting sales goals.
- Train the employees in the team.

Merchandise Planning

Merchandise planning is a strategic process in order to increase profits. This includes long- term planning of setting sales goals, margin goals, and stocks.

Step 1 - Define merchandise policy. Get a bird's eye view of existing and potential customers, retail store image, merchandise quality and customer service levels, marketing approach, and finally desired sales and profits.
Step 2 – Collect historical information. Gather data about any carry-forward inventory, total merchandise purchases and sales figures.
Step 3 – Identify Components of Planning.

Customers – Loyal customers, their buying behavior and spending power.
Departments – What departments are there in the retail business, their sub- classes?
Vendors – Who delivered the right product on time? Who gave discounts? Vendor's overall performance with the business.
Current Trends – Finding trend information from sources including trade publications, merchandise suppliers, competition, other stores located in foreign lands, and from own experience.
Advertising – Pairing buying and advertising activities together, idea about last successful promotions, budget allocation for Ads.
Step 4 – Create a long-term plan. Analyze historical information, predict forecast of sales, and create a long-term plan, say for six months.

Merchandise Buying

This activity includes the following:

Step 1 - Collect Information: Gather information on consumer demand, current trends, and market requirements. It can be received internally from employees, feedback/complaint boxes, demand slips, or externally by vendors, suppliers, competitors, or via the Internet.
Step 2 - Determine Merchandise Sources: Know who all can satisfy the demand: vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).

Step 3 - Evaluate the Merchandise Items: By going through sample products, or the complete lot of products, assess the products for quality.

Step 4 - Negotiate the Prices: Realize a good deal of purchase by negotiating prices for bulk purchase.

Step 5 - Finalize the Purchase: Finalizing the product prices and buying the merchandise by executing buying transaction.

Step 6 - Handle and Store the Merchandise: Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.

Step 7 - Record the Buying Figures: Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

Vendor Relations

Cordial relationship with the vendor can be a great asset for the business. A strong rapport with vendors can lead to:

Purchasing products when required and paying the vendor for it later according to credit terms.

Getting the latest new products in the market at discount prices or before other retailers can sell them.

Having a great service of delivery, timeliness of delivery, returning faulty products with exchange, etc.

Merchandise Performance

The following methods are commonly practiced to analyze merchandise performance:

ABC Analysis

It is a process of inventory classification in which the total inventory is classified into three categories:

A – Extremely Important Items: Very crucial inventory control on order scheduling, safety, prompt inspection, consumption pattern, stock balance, refill demands.

B – Moderately Important Items: Average attention is paid to them.

C – Less important Items: Inventory control is completely stress free.

This approach of segregation gives importance to each item in the inventory. For example, the telescope retailing company might be having small market share but each telescope is an expensive item in its inventory. This way, a company can decide its investment policy in particular items.

Sell-Through Analysis

In this method, the actual sales and forecast sales are compared and the difference is analyzed to determine whether to apply markdown or to place a fresh request for additional merchandise to satisfy current demand.

This method is very helpful in evaluating fashion merchandise performance.

Multi-Attribute Method

This method is based on the concept that the customers consider a retailer or a product as a set of features and attributes. It is used to analyze various alternatives available with regard to vendors and select the best one, which satisfies the store requirements.

What Is an Assortment Strategy?

An assortment strategy in retailing involves the number and type of products that stores display for purchase by consumers. Also called a "product assortment strategy," it is a strategic tool that retailers use to manage and increase sales. The strategy is comprised of two major components:

1. The depth of products offered, or how many variations of a particular product a store carries
2. The width of the product variety, or how many different types of products a store carries

A deep assortment—the opposite of a narrow assortment—of products means that a retailer carries a number of variations of a single product. A wide variety—the opposite of a narrow variety—of products means that a retailer carries a large number of different products.

Assortment planning is the process of selecting the collection of products which will be on offer in particular areas (localisation) and during specified periods of time (seasonality). It considers the financial objectives and seasonality of the product selection in a way so that both you and your customers gain from the outcome.

Assortment planning entails the evaluation of individual product attributes including: Brand, Size, Style, Colour, Function, Price and Stock Keeping Unit (SKU) performance during selection to address the preferences and needs of your customers. The assortment plan defines the products that make up your categories, sub-categories, segments, and sub-segments.

Why Is Assortment Planning So Important?

- Optimising shelf space and the product selection within that space has always been a primary concern for retailers. The reasons for that are because the assortment of products is critical to demand generation and shopper satisfaction.

  One of the main ways a retailer can increase the financial performance is by increasing the level of customer satisfaction through the variety of products on offer.

  An important factor to consider during the assortment planning process is that assortment variety increases inventory costs. Therefore it is important for assortments to be optimised.

From the supplier's viewpoint, assortment selection and category space allocation are equally critical. Suppliers can't generate any sales if their products aren't represented on store shelves.

Stores Management

Store is an important component of material management since it is a place that keeps the materials in a way by which the materials are well accounted for, are maintained safe, and are available at the time of requirement. Storage is an essential and most vital part of the economic cycle and store management is a specialized function, which can contribute significantly to the overall efficiency and effectiveness of the materials function. Literally store refers to the place where materials are kept under custody.

Store is to follow certain activities which are managed through use of various resources. Store management is concerned with ensuring that all the activities involved in storekeeping and stock control are carried out efficiently and economically by the store personnel. In many cases this also encompasses the recruitment, selection, induction and the training of store personnel, and much more. Store needs a secured space for storage. It needs a proper layout along with handling and material movement facilities such as cranes, forklifts etc, for safe and systematic handling as well as stocking of the materials in the store with an easy traceability and access. It is to maintain all documents of materials that are able to trace an item , show all its details and preserve it up to its shelf life in the manner prescribed or till it is issued for use. Store is to preserve the stored materials and carry out their conservation as needed to prevent deterioration in their qualities. Also store is to ensure the safety of all items and materials whilst in the store which means protecting them from pilferage, theft, damage, deterioration, and fire.

Storekeeping activity does not add any value to the materials. In fact it adds only to the cost. The organization is to spend money on space (expenditure on land, building passage and roads), machinery (store equipment), facilities (e.g. water, electricity, communication etc.), personnel, insurance, maintenance of store equipment, stationary etc. All of these get added to the organizational overheads and finally get reflected in the costing of the finished product. However, it is an essential function in any organization.

Objectives of store management

An efficient stores management has normally the following main objectives.

- To ensure uninterrupted supply of materials without delay to various users of the organization.
- To prevent overstocking and under stocking of the materials
- To ensure safe handling of materials and prevent their damage.
- To protect materials from pilferage, theft, fire and other risks
- To minimize the cost of storage
- To ensure proper and continuous control over the materials.
- To ensure most effective utilization of available storage space
- To optimize the efficiency of the personnel engaged in the store

Classification of stores

Store can be of temporary nature which means that it has a limited life. Store can also be of permanent nature. Stores are classified basically in the following broad categories.

- Functional stores – Functional stores are named based on the function of the materials stored. Examples are fuels store, chemicals store, tools store, raw materials store, spare parts store, equipment store, refractories store, electric store, explosives store, and finished goods store etc.
- Physical stores – Physically stores can be centralized stores or decentralized stores. These stores are named based on the size and location of the store. Examples are central store, sub store, department store, site store, transit stores, receipt store, intermediate store, open yard store, and covered store etc.
- Stores are also classified by naming them after the departments to which they serve. Examples are construction stores, operation stores, rolling mill stores, blast furnace stores, and steel melting shop stores etc.
- Stores are sometimes classified based on the nature of materials stored in them. Examples are general store, bonded store, perishable store, inflammable store, salvage store, reject store, and quarantine store etc.

Centralized storage of materials in a central store has advantages as well as certain disadvantages. The following are the advantages.

- Centralized store can cater to a wider range of materials which is not possible in a smaller store. Hence user department is to look for the material of its need only at one place.
- It contributes to the inventory control in the entire organization since the requirement of all the departments gets clubbed up.
- It makes better control feasible.
- It provides economy in storage space as materials when stored in larger quantities, occupy less specific space.
- Large stores can be provided with better and modern handling facilities. The operation can also be automated.
- Delivery at a single point decreases cost of delivery.
- Receipt and inspection of the materials can be organized more efficiently.

- Improved opportunities are available for the standardization of inventory.
- The turnover of materials is increased because of the maintenance of lower inventory and the probability of deterioration of materials during storage is correspondingly decreased.
- Manpower requirement for managing of stores get reduced. Also the duplication of records which takes place in decentralized store system is avoided.

The disadvantages of a centralized store is as follows.
Distance from the store and the user department gets increased which requires higher transportation needs from the store to the user department.

- If there are slippages or system not being well organized then there can be shortages of the materials which may results into unnecessary interruptions in production.
- There may be necessity of additional internal documentation in the store.
- The risks due to the fire and thefts are higher since the entire stock of the materials are concentrated at one place.
- The variety of materials to be stored can be large and it can create complications in the systematic storage as well as in storage procedures.

Functions of a store

Store personnel are responsible for carrying out the following functions.

- Receipt of incoming materials
- Supervision of unloading of materials and tallying of materials
- Checking for damages or shortages and preparation of the report
- Filling of 'goods inward', 'day book', or 'daily collection' register
- Completion of vendors consignment note (challan)
- Making arrangement for inspection and getting the inspection completed
- Preparation of 'goods receipt note' (GRN)
- Preparation of 'goods rejection memo' (in case of rejection of materials)
- Sending of materials to the respective stores
- Sending of the relevant documents to the respective departments
- Ensuring all storage and material handling facilities are in proper working order
- Ensuring good housekeeping and cleanliness in the storage space
- Checking, counting and tallying of materials before issue
- Making prompt entries in 'Bin card' or stock card
- Ensuring correct documentation of material receipts and material issues
- Ensuring safe and proper handling of materials so as not to damage them
- Ensuring proper record keeping and correct accounting of materials
- Ensuring regular stock verification
- Ensuring that rules and regulations relating to physical custody and preservation of materials are followed
- Ensuring safety of materials and personnel

In the long drawn process of preserving the materials till its use ,some materials might get obsolete and unserviceable and may require removal from stores for clearing space for other incoming goods. This activity is known as disposal of materials for which auction etc is done.
The materials , lying unused but have future economic value are said to form inventory, which needs professional handling. Inventory management thus is an important aspect of the stores function. One of the basic functions of store is to account for every material received in the store by maintaining proper records of all the incoming, stored and outgoing materials so that proper accounting and audit trail is maintained. Hence , record keeping is a vital function of store . Of course , it also goes along the various other activities. With the development in the information technology, the record keeping in store is also these days through electronic medium making the whole process smooth and efficient.
Store is to operate in the close relationship with the purchase department. In addition to the day to day coordination with the purchase department, there are other important activities which can best be done by close cooperation between stores and purchase. These are as follows.

- Identification or coding of the materials
- Variety reduction
- Inventory control value analysis
- Disposal of materials no more needed in the sore, or the salvaging operations etc.
- Procurement of automatic procurement items (API) where the procurement is to be done based on minimum stock levels. Store sends indents to purchase based on inventory levels determined in accordance with usage and delivery lead times
- Coordination with respect to the material specification
- Coordination regarding 'lot sizes' of the materials for purchase which should suit production requirements, transport, handling and storage space
- Close communication between purchase and stores with respect to order placement, receipt of materials, rejections, shortages, breakages, theft and loss of materials , if any. Also information is to flow with regard to changing production trends, slow or non moving stock, obsolete or surplus stock, scrap, etc.

What Is a Retail Store Layout?

A retail store layout (whether physical or digital) is the strategic use of space to influence the customer experience. How customers interact with your merchandise affects their purchase behavior. This retail principle is one of the many from Paco Underhill, author of Why We Buy: The Science of Shopping, keynote speaker, and founder of Envirosell.

The interior retail store layout has two important components:

- **Store Design:** The use of strategic floor plans and space management, including furniture, displays, fixtures, lighting, and signage. Website designers and user experience (UX) researchers use space management techniques and web design principles to optimize e-commerce websites. We'll further discuss a variety of popular retail floor plans later in this article.

- **Customer Flow:** This is the pattern of behavior and way that a customer navigates through a store. Understanding customer flow and the common patterns that emerge when customers interact with merchandise based on the store layout is critical to retail management strategy. Physical retailers are able to track this using analytics software and data from in-store video and the wifi signal from smartphones. For example, solution providers like RetailNext provide shopper analytics software for retailers to understand flow and optimize the customer experience based on in-store video recordings. The technology also exists to track the digital customer flow and online shopping behavior. Using "cookies" and other software, online retailers can track customer behavior, including how customers interact with their website.

While the exterior retail store layout includes exterior store design and customer flow, it also includes the following factors:

- Geographic location of the retail store (real estate)
- Size of the building and length of the walkways accessible from the entrance and exit
- Use of furniture and exterior space for people to gather and interact
- Style of architecture of the retail building
- Color of paint and choice of exterior building materials
- Design of the physical entrance and exterior window displays

Store Layout, Design and Visual Merchandising :

Store layout and visual merchandising are factors that contribute to the uniqueness of a store. The exterior and interior of a store convey several messages about the store to the consumers. The building that houses retail store, (whether new or old) and the exterior design of the store are important aspects of the design of the store. Marquees, walkways, entrances, doors, display windows, the height and size of the building, colors and materials used, and theft prevention are some of the key factors to be kept in mind while developing a store's exterior. Managing space is the first and foremost concern of almost every retailer, when it comes to designing the store's interior. Space is always an expensive and scarce resource. Retailers always try to maximize the return on sales per square foot. Planning a layout for the store's interior is the first step in designing the store's interior.

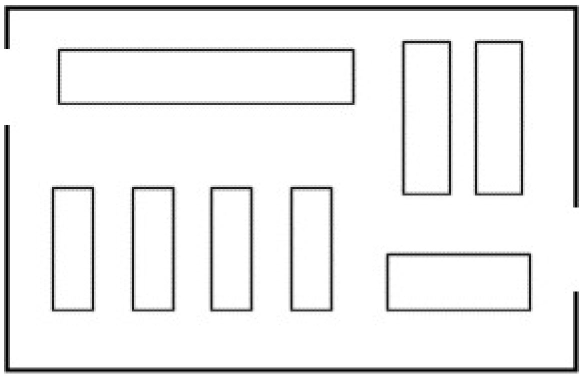
There are three kinds of layouts – Grid Layout, Race Track Layout Freeform Layout.

Allocating space to various merchandise categories in a store is very important. Allocation of space can be based on many factors, like historical sales, gross margins, industry averages and strategic objectives. Apart from allocating space to various merchandise categories, space has to be allocated for carrying out some essential functions. Such space includes the back room for receiving the inventories and sorting them out, office and other functional spaces, aisles and customer service desks, floor space and wall space. The interior of a store influences the purchasing behavior of the customers to a great extent. Designing the interior of a store in such a way as to influence customer behavior is referred to as visual merchandising. It includes optimum and appropriate use of fixtures, displays, color, lighting, music, scent, ceilings and floor, and designing all of these properly. Merchandise presentation is the most significant aspect of store design, because it helps attract customers' attention. A retailer can resort to many forms of presentation such as idea-oriented presentation, item-oriented presentation, price lining, color presentation, vertical merchandising, tonnage merchandising and frontal presentation. A well-planned retail store layout allows a retailer to maximize the sales for each square foot of the allocated selling space within the store.

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

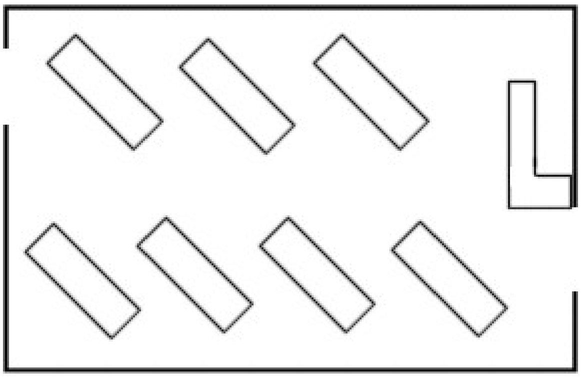
Below are a few basic store layouts.

1. Straight Floor Plan



The straight floor plan is an excellent store layout for most any type of retail store. It makes use of the walls and fixtures to create small spaces within the retail store. The straight floor plan is one of the most economical store designs. The downside to this plan is the sight lines in the store. Depending on the front entrance, it may be difficult for a customer to see the variety of merchandise you have or find a location quickly.

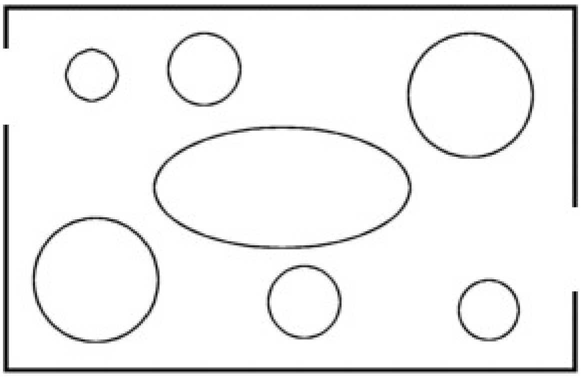
2. Diagonal Floor Plan



Diagonal Floor Plan.

The diagonal floor plan is a good store layout for self-service types of retail stores. It offers excellent visibility for cashiers and customers. The diagonal floor plan invites movement and traffic flow to the retail store. This plan is more "customer friendly." With a straight plan, the customer can feel like they are in a maze. With this floor plan, the customer has a more open traffic pattern.

4. Angular Floor Plan

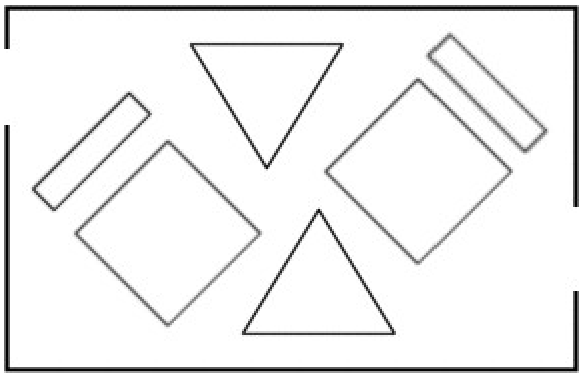


Angular Floor Plan.

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

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

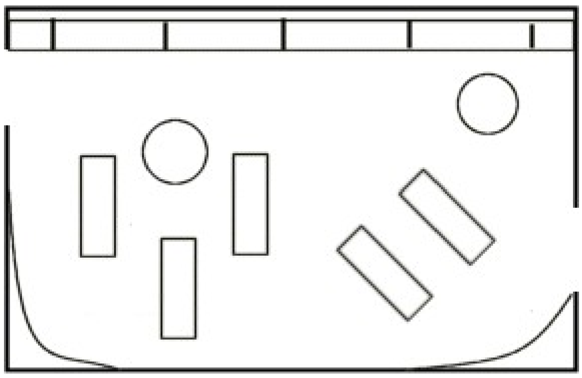
5. Geometric Floor Plan



Geometric Floor Plan.

The geometric floor plan is a suitable store design for clothing and apparel shops. It uses racks and fixtures to create an interesting and out-of-the-ordinary type of store design without a high cost. This plan makes a statement. So make sure it is the statement you are wanting to make with your brand.

6. Mixed Floor Plan



Mixed Floor Plan.

As you might have guessed, the mixed floor plan incorporates the straight, diagonal and angular floor plans to create the most functional store design. The layout moves traffic towards the walls and back of the store. It is a solid layout for most any type of retailer. And truthfully, the best experience stores have multiple shapes, elevations and designs. This appeals to a larger array of customers.

Visual Merchandising:

When people hear visual merchandising the typically get nervous and uneasy. They know its an important retail term, but not sure exactly what i is or how to do it well. It can create uncertainty about where to start. If you're artistically challenged and financially deprived, creating visual displays can be especially difficult. But here are my five most important elements of visual merchandising. They are easy to implement and won't break the bank and, most importantly, they will increase your sales. Strong visual merchandising has a huge impact on customer experience in your store. Whether you're revamping your retail displays or creating new ones, use these five strategies to help you achieve more impactful and memorable visual merchandising. And put more money in your pocket this year.

1. Remember that color is king.

Color is powerful, and it can make or break your visual displays. A retailer might create an erratic display, but if the colors coordinate well, the display can still be a success. Consider using contrasting colors, like black and white, and monochromatic colors--both create intriguing, eye- catching displays. Too many times we lose sight of the power of color and its ability to attract the eye. Consider your home. You probably have a solid grey or brown couch, but there is a "pop" of color from the throw pillows you place on the edges.

2. Tell a story.

What's in it for customers? Tell them. Use powerful, sales-enabling signage to display the advantages of buying the product. Present three bullet points that tell customers why they need the product or how their life will become easier because of the product. Remember, you're not writing an essay but rather a headline, powerful bullet points, and possibly a price proposition. By telling a story, you help the customer better understand the product and enable the buying decision. A display may lack a worded sign or an educational sign. That's perfectly fine; as long as there's still a story, the sign can speak for itself. For example, lifestyle graphics are very popular in telling the story. No words, but the image speaks volumes.

3. Expose customers to the maximum amount of merchandise.

A well-designed, impactful display exposes the customer to as much merchandise as possible while avoiding a sloppy mess. The more products customers see, the more they buy.Consider using a circular store layout, which many retailers use. It's powerful because it exposes customers to more merchandise than traditional aisles. Where your store *does* use aisles, place a display in dead center so customers are forced to stop and look at the products. Have as many displays as possible, and present as much merchandise as possible. But keep displays clean and sharp, and ensure aisles are spacious and barrier-free to prevent deterring customers from products. In my stores, I used dining tables from World Market to create a visual impact. Displaying our shoes on these tables was kitschy and bold. It caught a customer's eye for sure. And we got many compliments on the display tables since the tables were unique and a story in themselves as opposed to the traditional display pieces stores use.

4. Use empty space wisely.

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

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

Store Design :-

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

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

5 Essential Principles for Retail Store Design

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

1) Define your Space

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

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

2) Organizing the Space

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

3) Offer a Sequential Experience

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

4) Provide Visual Communication

Visual information includes signage, branding, and other written and graphical information that communicates essential information to customers. It should be clearly legible, and provide only important information that will actually enhance the customer's experience, and ideally, each element should conform with the store's visual branding design. This is a good place to take inspiration from the world of **e**xhibition design, where the focus is on providing information quickly and succinctly, to people whose attention is typically divided between multiple different brands at once. Visual communication needs to be immediately recognizable, and provide information that can be interpreted and used quickly.

5) Invite Customer Participation

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

Space planning:

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

Space Planning Techniques

1. Enter the Decompression Zone

The first space you step into when you enter the store is designed to open your mind to the shopping experience, inviting you to browse and explore. A place designed to make you feel safe and secure. The decompression zone prepares you for what lies ahead, helping you focus. A good decompression zone: Provides a wide, open space, that's free from clutter. Allows easy entrance into the store with an overview of the merchandise. Has no distracting marketing or advertising gimmicks.

2. Clockwise vs Counter-clockwise

It's critical for retailers to make it easy for shoppers to find the products they're looking for. Retail stores opt for space planning that goes counter-clockwise, from right to left, because most of the population is right-handed and will instinctively turn to the right. However, recently many stores have opted for the more unfamiliar clockwise layout, left to right, hoping it may arouse shoppers' attention and stimulate them more than the familiar counter- clockwise layout.

3. Slow Down

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

Retailers stock the items shoppers buy most frequently (staple items) at the back of the store, to maximize the amount time you spend inside the store, increasing basket size and impulse buying opportunities. This makes it difficult for shoppers to resist grabbing other items when making a quick trip to the grocery store. Another space planning technique used to slow customers down, is by removing windows. Disconnecting you from the outside world, so you forget that time is passing, essentially keeping you in the store longer.

***4.* Visual Appeal by Blocking**

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

5- Shelf Spacing

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

Benefits of Space Planning

By implementing above space planning techniques, retail stores create an aesthetically pleasing layout, allowing shoppers to find the products they're looking for while eliminating out of stock items. Products sell at a more even speed, creating less need for product ordering and shelf restocking. A retail store might opt to first test these techniques by doing realograms beforehand and then once planograms have been implemented, evaluated the two against one another to determine technique effectiveness. Of course, an increase in sales would also be an indicator of space planning success.

Merchandise
Management

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing. Merchandising presents the products in retail environment to influence the customer's buying decision.

Types of Merchandise

There are two basic types of merchandise −

Staple Merchandise	Fashion Merchandise
It has predictable demand	It has unpredictable demand
History of past sales is available	Limited past sales history is available
It provides relatively accurate forecasts	It is difficult to forecast sales

Factors Influencing Merchandising

The following factors influence retail merchandising:

Size of the Retail Operations

This includes issues such as how large is the retail business? What is the demographic scope of business: local, national, or international? What is the scope of operations: direct, online with multilingual option, television, telephonic? How large is the storage space? What is the daily number of customers the business is required to serve?

Shopping Options

Today's customers have various shopping channels such as in-store, via electronic media such as Internet, television, or telephone, catalogue reference, to name a few. Every option demands different sets of merchandising tasks and experts.

Separation of Portfolios

Depending on the size of retail business, there are workforces for handling each stage of merchandising from planning, buying, and selling the product or service. The small retailers might employ a couple of persons to execute all duties of merchandising.

Functions of a Merchandising Manager

A merchandising manager is typically responsible to −

- Lead the merchandising team.
- Ensure the merchandising process is smooth and timely.
- Coordinate and communicate with suppliers.
- Participate in budgeting, setting and meeting sales goals.
- Train the employees in the team.

Merchandise Planning

Merchandise planning is a strategic process in order to increase profits. This includes long-term planning of setting sales goals, margin goals, and stocks.

Step 1 - Define merchandise policy. Get a bird's eye view of existing and potential customers, retail store image, merchandise quality and customer service levels, marketing approach, and finally desired sales and profits.

Step 2 – Collect historical information. Gather data about any carry-forward inventory, total merchandise purchases and sales figures.

Step 3 – Identify Components of Planning.

- **Customers** − Loyal customers, their buying behavior and spending power.
- **Departments** − What departments are there in the retail business, their

subclasses?

- **Vendors** − Who delivered the right product on time? Who gave discounts? Vendor's overall performance with the business.
- **Current Trends** − Finding trend information from sources including trade publications, merchandise suppliers, competition, other stores located in foreign lands, and from own experience.
- **Advertising** − Pairing buying and advertising activities together, idea about last successful promotions, budget allocation for Ads.

Step 4 – Create a long-term plan. Analyze historical information, predict forecast of sales, and create a long-term plan, say for six months.

Merchandise Buying

This activity includes the following −

- **Step 1 - Collect Information** − Gather information on consumer demand, current trends, and market requirements. It can be received internally from employees, feedback/complaint boxes, demand slips, or externally by vendors, suppliers, competitors, or via the Internet.
- **Step 2 - Determine Merchandise Sources** − Know who all can satisfy the demand: vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).
- **Step 3 - Evaluate the Merchandise Items** − By going through sample products, or the complete lot of products, assess the products for quality.
- **Step 4 - Negotiate the Prices** − Realize a good deal of purchase by negotiating prices for bulk purchase.
- **Step 5 - Finalize the Purchase** − Finalizing the product prices and buying the merchandise by executing buying transaction.
- **Step 6 - Handle and Store the Merchandise** − Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.
- **Step 7 - Record the Buying Figures** − Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

Vendor Relations

Cordial relationship with the vendor can be a great asset for the business. A strong rapport with vendors can lead to −

- Purchasing products when required and paying the vendor for it later

according to credit terms.
- Getting the latest new products in the market at discount prices or before other retailers can sell them.
- Having a great service of delivery, timeliness of delivery, returning faulty products with exchange, etc.

Merchandise Performance

The following methods are commonly practiced to analyze merchandise performance −

ABC Analysis

It is a process of inventory classification in which the total inventory is classified into three categories −

- **A – Extremely Important Items** − Very crucial inventory control on order scheduling, safety, prompt inspection, consumption pattern, stock balance, refill demands.
- **B – Moderately Important Items** − Average attention is paid to them.
- **C – Less important Items** − Inventory control is completely stress free.

This approach of segregation gives importance to each item in the inventory. For example, the telescope retailing company might be having small market share but each telescope is an expensive item in its inventory. This way, a company can decide its investment policy in particular items.

Sell-Through Analysis

In this method, the actual sales and forecast sales are compared and the difference is analyzed to determine whether to apply markdown or to place a fresh request for additional merchandise to satisfy current demand.

This method is very helpful in evaluating fashion merchandise performance.

Multi-Attribute Method

This method is based on the concept that the customers consider a retailer or a product as a set of features and attributes. It is used to analyze various alternatives available with regard to vendors and select the best one, which satisfies the store requirements.

RETAIL MERCHANDISING MANAGEMENT PROCESS

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

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

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

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

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

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

Retail Aesthetic

Aesthetics

Retail Aesthetics is the specific method in which they communicate through the senses, the art of creating customer reactions through non-verbal communication.

All of these elements should be mutually complimentary, therefore increasing the overall enjoyment and experience of the customer. As a result of shifting styles and designs, it is imperative that a retail store or restaurant maintain protections and flexibility to incorporate new designs and styles, logo changes, name changes and other modifications to its existing business. The retail store ability to respond to new

• Retail communication Mix
• Selection of promotion mix
• Retail sales promotion
• Retail Pricing and setting
• Pricing strategies and GMROI
• Managing retail Brands
• Branding strategies in retail
• Brand equity
• Brand extension and creating brand value

aesthetic mandates will largely depend upon the terms and provisions of the lease it negotiated with the landlord. By their nature, retail stores requires periodic re-imaging, updates, change of concepts, and other use flexibility in order to stay profitable and in line with market trends. In addition, retail stores that are operating as a franchise will be subject to various image and use requirements imposed by the franchisor and the franchise agreement. All of these factors must be taken into account during lease negotiations.

dule –III

Topics to be discuss

Retail communication Mix

Retailers should consider the range of communication tools that they can mix to communicate their marketing and branding messages. Advertising, sales promotion, public relations, digital marketing, direct marketing and personal selling are examples of important marketing communication tools widely used in the retail industry and other industry sectors. A communication can be designed to achieve a Varity of objectives for the retail. To building a brand image of the retailer in the customer's mind, increasing sales and store traffic, providing information about the retailer's location and offering and announcing activities.

Retailers communicated with customers either impersonal or personal and paid or unpaid

Impersonal Personal

Paid

Unpaid

Paid impersonal communication

- Advertising, sales promotion, store atmosphere and website.
- Advertising- is a form of paid communication to customers using impersonal mass media such as newspaper, TV, radio etc.

Sales promotion-

Sales promotion is a marketing strategy where the product is promoted using short-term attractive initiatives to stimulate its demand and increase its sales.This strategy is usually brought to use in the following cases –

- to introduce new products,
- sell out existing inventories,
- attract more customers, and
- To lift sales temporarily.

• Advertisement • Sales Promotion • Store Atmosphere • Website	Personal Selling
Publicity	Word of mouth

Sales promotion strategies are powerful tools to give marketing campaigns an extra edge in attracting new customers. Sales promotions rely on consumers' price

sensitivity to encourage them to try new products. Retail promotion is simply the way the retailers communicate with their publics. They exchange meanings with them through the messages they create and the media they use.
Contents:-
They differ from price off sales on that

1- Only a few customers receive rewards.
2- Winners are determined by luck

e.g., fast food restaurants have contests associated with major films and sport event.

Coupons:-

- Offer a discount on the price of specific items when they are purchased at a store.
- These are the most common promotional tool used by supermarkets.
- Retailers distribute them in their newspaper ads and through direct mail programs.

Store Atmosphere

- The retail store itself provides paid, impersonal communications to its customers.
- Store atmosphere reflects the combination of the store's physical characteristics, such as to architecture, layout, sings and displays, colours, smells, sound etc. which together create an image in the customer's mind.
- It provides information about the store's service, its pricing and the fashion ability of its store.

Website-

It is use to build brand image, inform customers of store locations, special events and the availability of merchandise in local stores and sell merchandise and services.

Paid personal communication

It is the primary vehicles. Personal selling is a communication process in which sales people help customers satisfy their needs through face to face exchange of information.

Email-

- It involves sending messages over the internet.
- Retailers use email to inform customers of new merchandise, confirm the receipt of an order and indicate when an order has been shipped.
- Unpaid impersonal Communication

Publicity

- The unpaid presentations about the retailers usually occurred on a news story media.

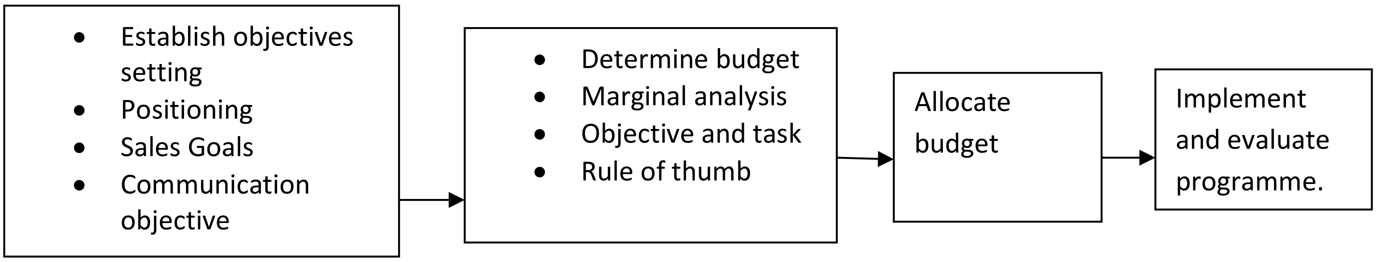
- Most communications are directed toward potential customers.
- But publicity is often used to communicate with employees and investors as well.

Unpaid Personal communications

- It means retailers communicated with their customers through Word of Mouth (WOM) .
- It occurred between people and retailers.
- People who have an unsatisfactory experience with retail service typically tell 9 other people on average about their experience.

Selecting Promotional Strategies

- Building Awareness
- Create interest
- Provide information
- Stimulate Demand
- Reinforce the brand 4 steps in selecting and implementing a retail communication program-



Promotional Mix

The communication or promotion mix includes the following four ingredients:

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

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

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

Sales Promotion:

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

Nature of Promotion

- It is Informative process It is persuasive process It is motivating process Brand Switching
- Promotion is an investment
- Promotion is directed towards a target group Promotion calls for economics

It is an intelligence process

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

Pricing – Influencing factors – approaches to pricing – price sensitivity - Value pricing – Markdown pricing. One of the four major elements of the marketing mix is price. It is one of the four P's. Price, Product, Promotion and Place, or where the product is distributed. The price is a very significant factor in determining the other elements of the marketing mix. Price determines the consumer group that will be targeted, as well as the advertising and promotion and distribution. Method adopted by a firm to set its selling price. It usually depends on the firm's average costs, and on the customer's perceived value of the product in comparison to his or her perceived value of the competing products. Different pricing methods place varying degree of emphasis on selection, estimation, and evaluation of costs, comparative analysis, and market situation. See also pricing strategy. Pricing is one of the most important elements of the marketing mix, as it is the only element of the marketing mix, which generates a turnover for the organisation. The other 3 elements of the marketing mix are the variable cost for the organisation;

Product - It costs to design and produce
your products. Place - It costs to
distribute your products.
Promotion - It costs to promote your products.
Price must support the other elements of the marketing mix. Pricing is difficult and must reflect **supply and demand** relationship. Pricing a product too high or too low could mean lost sales for the organisation.

Pricing Factors

Pricing should take the following factors into account:

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

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

Types Of Pricing Strategies

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

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

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

Optional Pricing	The organisation sells optional extras along with the product to maximise its turnover.	This strategy is used commonly within the car industry as I found out when purchasing my car.
Cost Plus Pricing	The price of the product is production costs plus a set amount ("mark up") based on how much profit (return) that the company wants to make. Although this method ensures the price covers production costs it does not take consumer demand or competitive pricing into account which could place the company at a competitive disadvantage.	For example a product may cost £100 to produce and as the firm has decided that their profit will be twenty percent they decide to sell the product for £120 i.e. £100 plus 100/100 x 20
Cost Based Pricing	This is similar to cost plus pricing in that it takes costs into account but it will consider other factors such as market conditions when setting prices.	Cost based pricing can be useful for firms that operate in an industry where prices change regularly but still want to base their price on costs.
Value Based Pricing	This pricing strategy considers the value of the product to consumers rather than the how much it cost to produce it. Value is based on the benefits it provides to the consumer e.g. convenience, well being, reputation or joy.	Firms that produce technology, medicines, and beauty products are likely to use t

Factors Influencing Pricing Decisions

1. Price-quality relationship:

Customers use price as an indicator of quality, particularly for products where objective measurement of quality is not possible, such as drinks and perfumes. Price strongly influences quality perceptions of such products. If a product is priced higher, the instinctive judgment of the customer is that the quality of the product must be higher, unless he can objectively justify otherwise.

2. Product line pricing:

A company extends its product line rather than reduce price of its existing brand, when a competitor launches a low price brand that threatens to eat into its market share. It launches a low price fighter brand to compete with low price competitor brands. The company is able to protect the image of its premium brand, which continues to be sold at a higher price. At a later stage, it produces a range of brands at different price points, which serve segments of varying price sensitivities. And when a customer shows the inclination to trade up, it persuades him to buy one of its own premium brands. Similarly, if a customer of one of its premium brands wants to trade down, it encourages him to buy one of its value brands. But, it is not easy to maintain a portfolio of brands in the same product category. The company needs to endow each of its brands with an independent personality, and identify it with a segment. A company's brands should not be floating around, willing to grab any customer that they can, but they should be specifically targeted at segments—customers of the target segment should like the brand, but customers of other segments should not like it enough to buy it.

3. Explicability:

The company should be able to justify the price it is charging, especially if it is on the higher side. Consumer product companies have to send cues to the customers about the high quality and the superiority of the product. A superior finish, fine aesthetics or superior packaging can give positive cues to the customers when they cannot objectively measure the quality of the offering. A company should be aware of the features of the product that the customers can objectively evaluate and should ensure superior performance of those features. In industrial markets, the capability of salespeople to explain a high price to customers may allow them to charge higher prices. Where customers demand economic justifications of prices, the inability to produce cost arguments may mean that high price cannot be charged. A customer may reject a price that does not seem to reflect the cost of producing the product. Sometimes it may have to be explained that premium price was needed to cover R&D expenditure, the benefits of which the customer is going to enjoy.

4. Competition:

A company should be able to anticipate reactions of competitors to its pricing policies and moves. Competitors can negate the advantages that a company might be hoping to make with its pricing policies. A company reduces its price to gain market share. One or more competitors can decide to match the cut, thwarting the ambitions of the company to gamer market share. But all competitors are not same and their approaches and reactions to pricing moves of the company are different. The company has to take care while defining competition. The first level of competitors offers technically similar products. There is direct competition between brands which define their businesses and customers in similar way. Reactions of such competitors are very swift and the company will have to study each of its major competitors and find out their business objectives and cash positions. Competitors who have similar ambitions to increase their market share and have deep pockets will swiftly reduce price if any one of them reduces prices. A telephone company offering landline services has all telephone companies offering landline services as its first level of competitors. The second level of competition is dissimilar products serving the same need in a similar way. Such competitors' initial belief is that they are not being affected by the pricing moves of the company.

5. Negotiating margins:

A customer may expect its supplier to reduce price, and in such situations the price that the customer pays is different from the list price. Such discounts are pervasive in business markets, and take the form of order-size discounts, competitive discounts, fast payment discounts, annual volume bonus and promotions allowance. Negotiating margins should be built, which allow price to fall from list price levels but still permit profitable transactions. It is important that the company anticipates the discounts that it will have to grant to gain and retain business and adjust its list price accordingly. If the company does not build potential discounts into its list price, the discounts will have to come from the company's profits.

6. Effect on distributors and retailers:

When products are sold through intermediaries like retailers, the list price to customers must reflect the margins required by them Sometimes list prices will be high because middlemen want higher margins. But some retailers can afford to sell below the list price to customers. They run low-cost operations and can manage with lower margins. They pass on some part of their own margins to customers.

7. Political factors:

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

8. Earning very high profits:

It is never wise to earn extraordinarily profits, even if current circumstances allow the company to charge high prices. The pioneer companies are able to charge high prices, due to lack of alternatives available to the customers. The company's high profits lure competitors who are enticed by the possibility of making profits. The entry of competitors in hordes puts tremendous pressure on price and the pioneer company is forced to reduce its price. But if the pioneer had been satisfied with lesser profits, the competitors would have kept away for a longer time, and it would have got sufficient time to consolidate its position.

9. Charging very low prices:

It may not help a company's cause if it charges low prices when its major competitors are charging much higher prices. Customers come to believe that adequate quality can be provided only at the prices being charged by the major companies. If a company introduces very low prices, customers suspect its quality and do not buy the product in spite of the low price. If the cost structure of the company allows, it should stay in business at the low price. Slowly, as some customers buy the product, they spread the news of its adequate quality. The customers' belief about the quality-price equation starts changing. They start believing that adequate quality can be provided at lower prices. The companies which have been charging higher prices come under fire from customers. They either have to reduce their prices or quit.

APPROACHES TO PRICING

Types of Pricing Approaches

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

1. Cost Based Pricing Approach:

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

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

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

Target Profit Pricing and Break-Even Analysis

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

2. Buyer Based Pricing Approach:

These pricing approaches is extensively applied by many organizations in which the perceived value of buyer is regarded as a base for Setting Price for a product or service. In this pricing model the value of product or service is perceived by customers that give the guideline for the price of that product or service. In other words the price is not set after the production of product, but before the production. This means that the organization considers the customers along with their perception about certain product or service. On this basis, the business sets a certain price and then starts manufacturing that product. The expected value and price provide guideline for the cost and design of the product so that it can match the perceptions of the customers. It is difficult for a business organization to ascertain the different perceived value by the customers on different products. For this purpose these organizations conduct surveys and experiments. If a business keeps the price of its product higher than the perceived value of customers, then its sales are affected. On the other hand, if a business keeps its product's price lower, then maybe its sales increase, but the profit does not increase accordingly. Therefore, those organizations, which want to adopt this value-based pricing strategy, should keep the price of their products in accordance with their perceived value by customers. But more effective strategy is that the businesses should try to deliver more value to the customers than they perceived in order to retain them as loyal customers.

3. Competition-Based Pricing Approach:

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

Price sensitivity

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

Meaning and definition of Price Sensitivity

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

Explaining the concept of price sensitivity

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

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

Both of the aforesaid pricing approaches, however, share common failings. The most important one is the lack of critical information on what is willingly being paid by the consumers. Secondly, these pricing strategies depend largely on subjective judgment of the management instead of depending on data-driven empirical evidence determining the impact of distinctive pricing levels on demand. Price sensitivity can be measured by dividing the percentage in the quantity purchased of the product or service with the percentage change in the price.

Formula

The standardized formula for measuring price sensitivity is:
Price Sensitivity = (Change in Quantity Purchased / Change in Price)*% Example:

In order to observe the price sensitivity, let us consider that, when Nestle apple nectar prices increase by 60%, the juice purchases fall with the figure of 25%. Using the mentioned formula we can easily calculate the price sensitivity for nestle apple nectar:
Price Sensitivity = -25% / 60% = -0.42

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

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

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

1. Perceived substitutes effect

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

2. Unique value effect

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

3. Switching cost effect

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

4. Difficult comparison effect

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

5. Price quality effect

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

6. Expenditure effect

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

7. End-benefit effect

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

8. Shared-cost effect

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

9. Fairness effect

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

10. Inventory effect

The ability of buyers to carry an inventory also affects their price sensitivity.

E.g. Amateur cooks with large pantries

Value pricing

Definition of **value**-based **pricing**. The term is used when **prices** are based on the **value** of a product as perceived from the customer's perspective. The perceived **value** determines the customer's willingness to pay and thus the maximum **price** a company can charge for its product. The term is used when prices are based on the value of a product as perceived from the customer's perspective. The perceived value determines the customer's willingness to pay and thus the maximum price a company can charge for its product. An essential component of value-based pricing is the necessity to determine the value for the customer. In order to define the value a customer associates with a product, the customer value model can be applied. This concept evaluates the economic benefits a product can offer to the customer.

Example

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

Markdown pricing:

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

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

Gross Margin Return on Investment (GMROI)

What Is the Gross Margin Return on Investment (GMROI)

The gross margin return on investment (GMROI) is an inventory profitability evaluation ratio that analyzes a firm's ability to turn inventory into cash above the cost of the inventory. It is calculated by dividing the gross margin by theaverage inventory cost and is used often in the retail industry. GMROI is also known as the gross margin return on inventory investment (GMROII).

Understanding the Gross Margin Return on Investment (GMROI)

The GMROI is a useful measure as it helps the investor or manager see the average amount that the inventory returns above its cost. A ratio higher than one means the firm is selling the merchandise for more than what it costs the firm to acquire it and shows that the business has a good balance between its sales, margin, and cost of inventory.
The opposite is true for a ratio below 1. Some sources recommend the rule of thumb for GMROI in a retail store to be 3.2 or higher so that all occupancy and employee costs and profits are covered.

How to Calculate the Gross Margin Return on Investment (GMROI)

The formula for the GMROI is

$$\frac{\text{Gross profit}}{\text{Average inventory cost}} = GMROI$$

To calculate the gross margin return on inventory, two metrics must be known: the gross margin and the average inventory. The gross profit is calculated by subtracting a company's cost of goods sold (COGS) from its revenue. The difference is then divided by its revenue. The average inventory is calculated by summing the ending inventory over a specified period and then dividing the sum by the number of periods.

How to Use the Gross Margin Return on Investment (GMROI)

For example, assume luxury retail company ABC has a total revenue of $100 million and COGS of $35 million at the end of the current fiscal year. Therefore, the company has a gross margin of 65%, which means it retains 65 cents for each dollar of revenue it has generated.
The gross margin may also be stated in dollar terms rather than in percentage terms. At the end of the fiscal year, the company has an average inventory cost of $20 million. This firm's GMROI is 3.25, or $65 million / $20 million, which means it earns revenues of 325% of costs. Company ABC is thus selling the merchandise for more than its cost to acquire it.
Assume luxury retail company XYZ is a competitor to company ABC and has total revenue of $80 million and COGS of $65 million. Consequently, the company has a gross margin of $15 million, or 18.75 cents for each dollar of revenue it has generated.
The company has an average inventory cost of $20 million. Company XYZ has a GMROI of 0.75, or $15 million/ $20 million. It thus earns revenues of 75% of its costs and is getting $0.75 in gross margin for every dollar invested in inventory. This means that company XYZ is selling the merchandise for less than its acquisition cost. In comparison to company XYZ, Company ABC may be a more ideal investment based on the GMROI.

Managing Retail brands

Brand management is a communication function in Retail that includes analysis and planning on how that brand is position in the

Retail house, which target public the brand is targeted at, and maintain a desired reputation of the brand.

Brand Equity can be thought of as the marketing effects uniquely attributable to the brand. Brand Equity represents the added value endowed to a product as a result of past investments in the marketing activityforabrand.BrandEquityservesas the bridge between what happened to the brand in the past and what should be happen to the brand in the future.

To a consumer, brand means and signifies:

- Source of product
- Delegating responsibility to the manufacturer of product
- Lower risk
- Less search cost
- Quality symbol
- Deal or pact with the product manufacturer
- Symbolic device

Successful Retail Branding Ensures:

- Stable long term demands,
- Better Margins,
- Differentiation by way of creating long term association,
- Adds value to the product,
- Trust of Fulfillment of service expectations,
- Protection from growing competition,
- Images as a company attractive enough to work for,
- Negotiation with suppliers from a position of improved strength

Definition of Brand

Brand as "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." A brand is basically a name that refers to the products of a particular manufacturer in a particular product category. A brand includes tangible or intrinsic qualities, such as appearance, performance data, package, and the guarantees or warranties that are attached to it. Perhaps more Importantly, A brand involves aspects that the consumer attributes to it, beyond its tangible features. These aspects may include attitudes towards the company that produce the product or towards the brand itself, beliefs about the brand in relationship to itself and others, and so on.

Role of the brand

- Build Stable,
- Build and hold better Margins,
- Differentiate themselves,
- Add values,
- Expectations fulfillment,
- Customer Loyalty,
- Protect from Competition alternatives,
- Superior offer,
- Image creation,
- Consistency in availability

Positioning Process:-

- Apparent to consumers and offers real added value to them,
- Built upon real brand strengths which reflect performance potential,
- Clearly differentiated form competitor and communicate to all stakeholders groups,
- Able to be achieved

BRAND POSITION = BRANDDIFFERENTIATION×BRAND SEGMENTATION

Successful brand

A Successful brand is an identifiable product, service, person or place augmented in such a way that the buyer, or user, perceives relevant, unique added values which match their needs most closely. Its success results from being able to sustain these added values against competitors.

Successful brands therefore are required to have unique added values:-

- Rituals (campaigns of celebrations),

- Symbols (veg / non- veg symbols),
- Heritage of good (Kellogs as a reflection of time –honored family values)
- Aloofness (Carlsberg time spent brewing and storing)
- Belonging (Budha Air Royal Club Customer),
- Legend (Johny Walker, Red Label),
- Quality and trust
- Exclusivity (Zara, Gucci)

Brand extension or **brand stretching** is a marketing strategy in which a firm marketing a product with a well-developed image uses the same brand name in a different product category. The new product is called a **spin-off**.

- Organizations use this strategy to increase and leverage brand equity (definition: the net worth and long-term sustainability just from the renowned name). An example of a brand extension is Jello-gelatin creating Jello pudding pops. It increases awareness of the brand name and increases profitability from offerings in more than one product category.
- In the 1990s, 81 percent of new products used brand extension to introduce new brands and to create sales.[1] Launching a new product is not only time-consuming but also needs a big budget to create brand awareness and to promote a product's benefits. Brand extension is one of the new product development strategies which can reduce financial risk by using the parent brand name to enhance consumers' perception due to the core brand equity.[
- While there can be significant benefits in brand extension strategies, there can also be significant risks, resulting in a diluted or severely damaged brand image. Poor choices for brand extension may dilute and deteriorate the core brand and damage the brand equity. Most of the literature focuses on the consumer evaluation and positive impact on parent brand. In practical cases, the failures of brand extension are at higher rate than the successes. Some studies show that negative impact may dilute brand image and equity. In spite of the positive impact of brand extension, negative association and wrong communication strategy do harm to the parent brand even brand family.
- A brand's "extendibility" depends on how strong consumer's associations are to the brand's values and goals. Ralph Lauren's Polo brand successfully extended from clothing to home furnishings such as bedding and towels. Both clothing and bedding are made of linen and fulfill a similar consumer function of comfort and hominess. Arm & Hammer leveraged its brand equity from basic baking soda into the oral care and laundry care categories. By emphasizing its key attributes, the cleaning and deodorizing properties of its core product, Arm & Hammer was able to leverage those attributes into new categories with success. Another example is Virgin Group, which was

initially a record label that has extended its brand successfully many times; from transportation (aeroplanes, trains) to games stores and video stores such as Virgin Megastores.

- **Product extensions** are versions of the same parent product that serve a segment of the target market and increase the variety of an offering. An example of a product extension is Coke vs. Diet Coke in the same product category of soft drinks. This tactic is undertaken due to the brand loyalty and brand awareness associated with an existing product. Consumers are more likely to buy a new product that has a reputable brand name on it than buy a similar product from a competitor without a reputable brand name. Consumers receive a product from a brand they trust, and the company offering the product can increase its product portfolio and potentially gain a larger share in the market in which it competes.