मङ्गलायतन विश्वविद्यालय
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MANGALAYATAN
UNIVERSITY

Learn Today to Lead Tomorrow

Retail Management

MGO-1204

Edited By

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DIRECTORATE OF DISTANCE AND ONLINE EDUCATION

MANGALAYATAN
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UNIT-1

Introduction to Retailing

Notes

(Structure)

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1.8 Characteristics and Trends in Retailing
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1.1 Learning Objectives

After studying the chapter, students will be able to:

- Explain the hypermarts
- Discuss the retailing defined
- Describe the characteristics and trends in retailing
- Explain the types, and examples of retailing

1.2 Introduction

Learning is the basic objective of all the training and development activities. If people have not learnt what they were suppose to learn from a HRD programme, then the programme should be called as a failure. It is therefore very important for HRD professionals to understand the major concepts and research findings related to learning.

Notes

The word 'learning' is heard everywhere but defining it is really difficult. According to Pareek (2004), learning may be defined as the process of acquiring, assimilating, and internalizing cognitive, motor or behavioural inputs for their effective and varied use when required, leading to an enhanced capability for further self-monitored learning. It is any relatively permanent change in behaviour that occurs as a result of experience (Robbins, 2003). The change may be in human disposition or capability that is not ascribable simply to processes of growth. The change often is an increased capability for some type of performance.

1.3 Retailing Defined

The word retailing has its origins in the French verb retailer, which means 'to cut up', and refers to one of the fundamental retailing activities which is to buy in larger quantities and sell in smaller quantities. For example, a convenience store would buy tins of beans in units of two dozen boxes, but sell in single-tin units. However, a retailer is not the only type of business entity to 'break bulk'. Wholesalers also buy in larger quantities and sell to their customers in smaller quantities. It is the type of customer, rather than the activity, that distinguishes a retailer from other distributive traders; the distinction being that a retailer sells to final consumers, unlike a wholesaler who sells to a retailer or other business organizations. A generally accepted definition of a retailer is 'any establishment engaged in selling merchandise for personal or household consumption and rendering services incidental to the sale of such goods'. There are, however, many businesses that carry out retailing activity that are not in themselves classified as retailers. For example, a factory may engage in retailing activity by selling 'seconds' quality goods in the shop attached to its manufacturing premises. In the UK, a retailer is only classified as such for government reporting if the business gains over half of its income from selling to the final consumer.

The term 'retailing' applies not only to the selling of tangible products like loaves of bread or pairs of shoes, but also to the selling of service products. Companies who provide meals, haircuts and aromatherapy sessions are all essentially retailers, as they sell to the final consumers, and yet customers do not take goods away from these retailers in a carrier bag. The consumption of the service offering coincides with the retailing activity itself.

Characteristics and Trends in Retailing

Interaction with the end consumers 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 in retail marketing which creates visibility. Location and layout plays a vital role. Relating 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.

1.4 Factor Behind the Change of Indian Retial Industry

Notes

The major factors responsible for the growth of retailing in India are as follows:

Organised retailing is a recent development. It is the outcome of socioeconomic factors. India is standing on the threshold of retail revolution. Retail Industry, one of the fastest changing and vibrant industries that has contributed to the economic growth of our country. Within a very sport span of time, Indian retail industry has become the most attractive, emerging retail market in the world.

Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organised retail market in India.

Some of the factors responsible for the growth of organised retailing are as under:

- **Growth of middle class consumers:** In India the number of middle class consumer is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper.

  They expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers. Hence this has resulted into growth of organised retailing in India.

  Growing consumerism would be a key driver for organized retail in India. Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence (meeting) of consumer tastes.

- **Increase in the number of working women:** Today the urban women are literate and qualified. They have to maintain a balance between home and work. The purchasing habit of the working women is different from the home maker. They do not have sufficient time for leisure and they expect everything under one roof. They prefer one-stop shopping Modern retail outlets therefore offers one store retailing,

- **Value for money:** Oganised retail deals in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in distribution channel.

  Organised retailers offer quality products at reasonable prices. Example: Big Bazaar and Subhiksha. Opportunity for profit attracts more and more new business groups for entering in to this sector.

- **Emerging rural market:** Today the rural market in India is facing stiff competition in retail sector also. The rural market in India is fast emerging as the rural consumers are becoming quality conscious.

Notes

Thus due to huge potential in rural retailing organised retailers are developing new products and strategies to satisfy and serve rural customers In India Detail inductor is around the country's largest source of employment after agriculture which has the deepest penetration into rural India.

- **Entry of corporate sector:** Large business tycoons such as Tata's, Birla's, and Reliance etc. have entered the retail sector. They are in a position to provide quality products and entertainment.

  As the corporate – the Piramals, the Tatas, the Rahejas, ITC, S.Kumar's, RPG Enterprises; and mega retailers-Crosswords, Shopper's Stop, and Pantaloons race to revolutionize the retailing sector.

- **Entry of foreign retailers:** Indian retail sector is catching the interest of foreign retailers. Due to liberalisation multinationals have entered out country through joint ventures and franchising. This further is responsible for boosting organised retailing,

- **Technological impact:** Technology is one of the dynamic factors responsible for the growth of organised retailing. Introduction of computerization, electronic media and marketing information system have changed the face of retailing.

  Organized retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services. One of the major technological innovations in organised retailing has been the introduction of Bar Codes. With the increasing use of technology and innovation retailers are selling their products online with the help of Internet.

- **Rise in income:** Increase in the literacy level has resulted into growth of income among the population. Such growth has taken place not only in the cities but also in towns and remote areas.

  As a result the increase in income has led to increase in demand for better quality consumer goods. Rising income levels and education have contributed to the evolution of new retail structure. Today, people are willing to try new things and look different, which has increased spending habits among consumer.

- **Media explosion:** There has been an explosion in media due to satellite television and internet. Indian consumers are exposed to the lifestyle of countries. Their expectations for quality products have risen and they are demanding more choice and money value services and conveniences.

- **Rise of consumerism:** With the emergence of consumerism, the retailer faces a more knowledgeable and demanding consumer.

  As the business exist to satisfy consumer needs, the growing consumer expectation has forced the retail organizations to change their format of retail trade. Consumer demand, convenience, comfort, time, location etc. are the important factors for the growth of organised retailing in India.

Notes

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

  Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors. It is important to understand how retailing works in our economy, and what role it plays in the lives of its citizens, from a social as well as an economic perspective. India still predominantly houses the traditional formats of retailing, that is, the local kirana shop, paan/beedi shop, hardware stores, Weekly haats, convenience stores, and bazaars, which together form the bulk. the main retail principle to master is the customer; the customer should be the centre of your business and everything you do must revolve around that customer.

  Knowing them, and focusing on them in everything you do, will help you grow your business and your team - The Customer is King the 4 Ps: Product, Price, Place, Promotion. These are the main areas you need to perfect for a customer, to provide them with the basic foundations of a successful retail business.

- **Product:** You need products that your customer wants to buy and a product range that will satisfy your customers' needs, wants and desires. The products must also deliver a profit for you to have a successful business.
- **Price:** Price must be consistent across the whole marketing mix and meet all requirements for your business.

  You need to price your product range at the correct level for the customers to be able to buy your products, and for them to gain value from your products. This could mean pricing high or low - this very much depends upon your customer offering.
- **Place:** You must provide somewhere for your customers to purchase your product, be that a physical store, a catalogue or an E-commerce website; there needs to be a place for the customer to visit in person or virtually).
- **Promotion:** Once you have a product - at the right price, in a place where the customer can access it - you need to tell them about this and promote your business and your products, make sure your customers know that you and your products exist and are available for them to enjoy.

1.5 Evolution of Retail in India

Today the general store, stacked with barrels, bins and sacks filled with everything from soaps to pickles, has all but disappointed almost through the world. And in its place we find the more refined self service 'cash and carry' organized retail stores in the form of supermarkets, department stores, shopping malls and the like. These stores signified the beginning of organized retailing and its evolution across the world. This new breed of organized retailers have their shelves neatly stacked with a huge variety of products which include anything from cans, packed food, bread, dairy products, fresh meat and fish, apparel, shoes, furniture or any conceivable item one can think of. This phenomenon of new fund modern super markets, department stores is in sharp contrast to the old and orthodox grocery stores that had existed.

Story of Retail Revolution

It is the revolution in the shopping habits of the people across the entire world, which has virtually brought the super market to the main street. This revolution is unparallel in human history as it has engendered the development of distribution system that delivers food and other products to the consumer in unprecedented abundance, variety and quality retailing was never as it is seen today. It has gone through its natural process of evolution in all areas from the initial concept of the super market and department store to the shopping mall as it exists today.

At that point of time, the department store business was a bare-bones operation. It was only after World War-II that retailers in the west began to upgrade their services, facilities and merchandise selection to offer a fascinating way of additional benefits to consumers through organized retailing.

One Stop Shopping

The changes occur in retail sector due to the changes in environmental conditions. In the early part of the 20th century, the American housewife, which shopping for her family's dinner, thought various products at various places and tired a lot. Then she thought that if all products available under one roof; there by we can save our time/effort/money. The retailers trapped the need and had launched the biggest hypermarkets. Then these retail stores started to sell food, varieties of products and variety of schemes introduced in order to draw the attention of the customers.

Example: Big Bazaar, Spencer.

Supermarket Revolution

The revolution of supermarket was first sparked off in the 1920's, and by the 1950's it had won acclaim almost throughout America with its span ranging from a global depression to global war; this revolution had literally seen it all. In the 1920, one could not even dream of retailing as it exists today.

Initially, many items used to come in bulk and were sold as it is at the retail outlets. Potatoes were sold from barrels and later from 100-pound sacks, while sugar was sold from 100-pound sacks and better in tabs. The retailers were keen to acquire the know-how to upgrade their quantity and service for the consumers and to develop the best stores possible. They may become business friends and some even became family friends.

Pleasure of Self-service Concept

By the 1930s, the self-service supermarket gained immense popularity due to the choice leftover on consumers (house wives). It was sparked off by the success of Michael Kullen, an independent operator who opened the King Kullen supermarket in Jamaica, New York. Storeowners found that housewives enjoy the shopping. Because when they are preparing the list of require items for daily purpose, they may forget, there by again they need to shop. Here picking their groceries from shelves themselves, piling their purchase into shopping carts and wheeling the carts through the checkout counters. As supermarkets grew, they extended the self-service concept to other foods besides groceries.

Example: More 4 U, Big Bazaar.

Globalization of Retailing

Due to the Globalization Foreign investors launched their businesses in India where the expenditure is very less to start any business in India. The biggest corporate giants entered into India and disturbed the Indian businesses.

Today, retailers from all over the world are venturing beyond their own borders to establish stores even in other countries. In fact, the business of retailing cans clearly defined as a global business. Many retailers have realized and have therefore made international expansion an integral part of their overall strategy. The immense impact of communication technology has narrowed the cultural gap between countries over the decades.

Today's consumers in the developed or developing countries, share almost the same important characteristics that the best American specialty retailers already understand from their own domestic experience. Consumers are now far more knowledgeable than ever before about products, brands and prices that they have ever been in history. The advancement of communication technologies has made a major contribution towards educating consumers about the products and services they require and the Internet explosion is bound to further trend..

Size of the Operations

"Size" has become the keyword in international retailing and the larger the size of the operations, the better the economies of scale and chances of survival in this vicious war to win over the consumer. Some global retailers are now taking over existing retail chains in a desperate bid to consolidate their operation in this world of retailing. It is evident that eventually the comparatively smaller retail chain will be unable to compete in the market or operate on their own for long, and will soon sellout or merge with the much larger global retail chains.

Notes

The increasing magnitude of retailing as a business in absolute terms can also be estimated by the fact that the sector accounts for a major portion of the GDP of many countries. Our country has been extremely slow in responding to the trend of globalization of retailing, as a result of which many of the distribution and retailing methods adopted here are still considered to be prehistoric. While many countries around the world have started considering retailing as an integral part of their social infrastructure, India still has to realize the benefits of organized retailing that accrue to society at large.

1.6 Retailing Concepts Introduction

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, 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.

Notes

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.

Types of Retail Operations

Retail operations enable a store to function smoothly without any hindrances. The significant types of retail operations consist of the following:

- Department store
- Speciality store
- Discount/Mass Merchandisers
- Warehouse/Wholesale clubs
- Factory outlet

Retail Management System targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

The Emerging Sectors in Retailing

Retailing is one of the largest sectors in the global economy which 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).

1.7 Hypermarts

The emergence of new sectors has been accompanied by the changes in existing formats as well as the beginning of new formats:

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- 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 has 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

Notes

- 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.

- **Store administration and management:** This involves cleanliness, discipline, proper documentation, no objection certification for various products and skilful management of products and personnel.
- **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 changed into 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.

1.8 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

History of Retail Management

Retail marketing started from Mediterranean regions and spread to Egypt and Babylonia. For over 2000 years Retail marketing flourished in Rome. After the destruction of Roman Empire retailing spread across the globe and Romans are the first ones to conduct sophisticated retailing. As sophistication and human relations go hand-in-hand

Notes

Retail marketing has got a lot to do with the psychology of human behaviour. So retail marketing can be conveniently called has psychology of marketing.

Trends in retailing: Retail Marketing is largely based on three Vs –Value, Volume and Variety. Though the Retail marketing had the quantitative development across the globe, the quality is no doubt being compromised with the Globalization. International quality products are competing with indiginised products. This variation in size, quality and competition has made Indian market face ridiculous growth. As the competition is between international and indiginised products, its taking a great toll on both the sectors.

With the big giants entering the market, there is a grave competition in the Indian Economy. After 1995 the great companies like Food world, Reliance, Planet M, Music World and many others also entered the retail market. The visibility and the craze to remain in the forefront of business has made many of the giant companies to move from manufacturing to front line retailing. With this Retailing has become prominent giving world class shopping experience to the customers under one roof.

Indian retailing, thus enjoys many unique features, is still done in a primitive way. Barring a few exceptions, Indian retailers, particularly FMCG retailers, are not in a position to implement world-class practices of supply chain management. The concepts of Quick Response or Efficient Consumer Response are unheard of in Indian retailing. The two bases of modern retailing management, the Electronic Data Interface and a mutually respectable partnership among retailers and suppliers (the manufacturers) are missing to a great extent in Indian context. Also, Indian marketing channel members are performing some unnecessary tasks, which makes the channel structure heavy and inefficient. Though these inefficiencies are observed in all retailing irrespective of industry, the symptoms are more evident in Indian FMCG retailing. Inefficiency in retailing leads to lower profitability of the retailers and lower service outputs for the consumers.

Ways and means to strengthen the position of the retailing industry, doing away with the causes for the inefficiencies, therefore, are to be taken up in an urgent manner. Such measures may include establishment of retailers co-operatives, merger and buy-out, use of technology to the greatest possible extent, setting up of nonstore retailing centers and increase in franchisee network.

1.9 Definition, Types and Examples of Retailing

Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser.

Retail involves the sale of merchandise from a single point of purchase directly to a customer who intends to use that product. The single point of purchase could be a brick-and-mortar retail store, an Internet shopping website, a catalog, or even a mobile phone.

The retail transaction is at the end of the chain. Manufacturers sell large quantities of products to retailers, and retailers attempt to sell those same quantities of products to consumers.

Notes

Why is Retailing 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, i.e. the customers who want to purchase those goods.

Retailers should make the purchase of goods easy for the consumer. That's why retail stores have sales people, 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's experience.

What is the Difference between Retail and Wholesale?

Wholesalers sell in large bulk quantities, without worrying about many of the aspects of retailing that consumers expect like visual merchandising. Wholesalers do not want to deal with a large number of end-user customers. Rather, their goal is to sell large quantities to a small number of retailing companies.

It is rare for a wholesaler to sell goods directly to consumers. The exception to that would be membership warehouse clubs like Costco, Sam's and Bj's Wholesale. These members-only retail stores are a hybrid of wholesaling and retailing in that they sell directly to consumers, but they sell in large quantities, which often allows them to sell at prices that are lower than other retailers that sell in small quantities from impeccably merchandised stores in high-rent shopping districts.

The big difference between wholesale and retail is in the price. The retail price is always more than the wholesale price. The reason behind this is the added cost of selling merchandise to end-user, i.e. the customers – labuor, rent, advertising, etc. – is factored into the pricing of the merchandise. The wholesaler doesn't have to deal with such expenses, which allows him to sell goods at a lower cost.

How Does The Retail Supply Chain Work?

The retail supply chain consists of manufacturers, wholesalers, retailers and the consumer (end user). The wholesaler is directly connected to the manufacturer, while the retailer is connected to the wholesaler, and not to the manufacturer.

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Here are the roles of the key players in a typical retail supply chain:

- **Manufacturers:** Produce the goods, using machines, raw materials, and labour.
- **Wholesalers:** Purchase finished goods from the manufacturers and sell those goods to retailers in large bulk quantities.
- **Retailers:** Sell the goods in small quantities to the end-user at a higher price, theoretically at the MSRP (Manufacturers Suggested Retail Price).
- **Consumer:** End user is the one who buys the goods (or 'shops') from the retailer for personal use.

There are exceptions to this traditional supply chain, however, some of the world's largest retail companies like Walmart, and Amazon.com, for example, are large enough to deal directly with manufacturers, without the need for a wholesaler in the middle of the transaction.

What are Different Types of Retail Stores?

Here are some examples of the different types of brick-and-mortar retail stores where consumers can purchase products for immediate use or consumption.

Department Stores

Sell a wide range of merchandise that is arranged by category into different sections of the physical retail space. Some department store categories include shoes, clothing, beauty products, jewelry, housewares, etc. Examples of department store retailers include Macy's, Nordstrom, and JC Penney, to name just a few.

Grocery Stores and Supermarkets

Sell all types of food and beverage products, and sometimes also home products, clothing, and consumer electronics as well.

Warehouse Retailers

Large no-frills warehouse-type facilities stocked with a large variety of products packaged in large quantities and sold at lower-than-retail prices

Speciality Retailers

Specialize in a specific category of products. Toys 'R' Us, Victoria's Secret, and Nike are examples of speciality retailers.

Convenience Retailer

Usually, part of a retail location which sells gasoline primarily, but also sells a limited range of grocery merchandise and auto care products at a premium 'convenience' price from a brick-and-mortar store.

Discount Retailer: Sells a wide variety of products are often private labeled or generic brands at below-retail prices, Discount retailers like Family Dollar, Dollar General, and Big Lots will often source closeout and discontinue merchandise at lower-than-wholesale prices and pass the savings onto their customers.

Mobile Retailer: Uses a smartphone platform to process retail transactions and then ships the products that were purchased directly to the customer.

Internet E-tailer: Sell from an Internet shopping website and ships the purchases directly to customers at their homes or workplaces and without all the expenses of a traditional brick-and-mortar retailer, usually sell merchandise for a lower-than-retail price.

1.10 Summary

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

Retail Management System targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

Indian retailing, thus enjoys many unique features but is still done in a primitive way. Barring a few exceptions, Indian retailers, particularly FMCG retailers, are not in a position to implement world-class practices of supply chain management. The concepts of Quick Response or Efficient Consumer Response are unheard of in Indian retailing. The two bases of modern retailing management, the Electronic Data Interface and a mutually respectable partnership among retailers and suppliers (the manufacturers) are missing to a great extent in Indian context. Also, Indian marketing channel members are performing some unnecessary tasks, which makes the channel structure heavy and inefficient.

1.11 Keywords

- **Consumer:** End user who buys the goods (or "shops") from the retailer for personal use.
- **Retailers:** Sell the goods in small quantities to the end-user at a higher price; theoretically at the MSRP (Manufacturers Suggested Retail Price).
- **Mobile Retailer:** Uses a smartphone platform to process retail transactions and then ships the products that were purchased directly to the customer.

1.12 Review Questions

1. Explain the Retailing Concepts Introduction.
2. What is Hypermarts?
3. Describe the Characteristics and Trends in Retailing.
4. Define Retailing. What are the different types of Retailing give examples.

Notes

1.13 Further Readings

- Books Berman B. Evans J. R., (2004), *Retail Management*, 9th Ed., Pearson Education
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UNIT–2

Retail Formats and Operations

Notes

(Structure)

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2.6 Retail Industry: Structure and Trends
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2.1 Learning Objectives

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After studying the chapter, students will be able to:

- Understand the dynamics and structural issues in retailing
- Understand the implications of market saturation and concentration aspects of retailing
- Appreciate diversity of retailing and the role of emerging technology
- Understand the concepts of independent, multiple, franchise forms of ownerships
- Explain about Store Management Responsibilities
- Discuss about Recruiting and Selecting Employees
- Describe Motivating and Managing Store Employees
- Discuss about Compensating and Rewarding store Employees
- Define customer service job description
- Discuss exchange of defective products
- Describe loyalty programs for a store

2.2 Introduction

Retail organizations come in a whole variety of shapes and sizes. Having defined the process of retailing in the preceding unit, the aim of the unit is to present the diversity of the retail industry in terms of the variety of outlets used for the retailing activity. Retail outlets can be quite different in terms of the ownership of the retail business itself, the characteristics of the premises used (the format) and the orientation of the product range. Some types of retailing have been with us for over a century, while new kinds of retail outlets emerge and develop, offering the consumer a constantly evolving choice of shopping arena which embraces an enormously wide range of businesses.

Many large retail organizations have branched off into alternative approaches to ownership, format and product orientation. It is a part of their growth and development. So, an understanding of the scope of each of these facets of the retailer is a starting point for becoming familiar with the retail industry as a whole.

In spite of the current growth in home-based shopping methods, shop based retailing is still the predominant section of the retail industry. This Unit, which will essentially discuss types of retailers, will start by considerations, descriptions and examples of a variety of store formats. It includes department stores, variety stores, supermarkets, warehouse stores and specialist stores.

It will then discuss print-based retail offerings including mail-order catalogues and direct mail. The discussion will then move on to retailing methods that are based on technological applications. The concluding part of the Unit will consider the evolution of the retail industry as a whole.

Virtually every enterprise finds it necessary to hold 'stocks' (or 'inventory') of various items and materials. That is because it would be practically impossible to operate with only one of each item to be sold or used in manufacture or used in office work. A 'reserve' or a 'fund' or 'inventory' of each item or material used or sold frequently is therefore 'maintained', so that as items or materials are sold or used they can be replaced or replenished from the stocks 'held in reserve'.

Let us take a footwear shop as an example to make these matters quite clear to you. There will be a variety of different shoes, boots, etc., on display – both in the shop's windows and inside the shop itself. It would be quite inconvenient and time-consuming for a shop assistant to have to remove the footwears quite from the display each time a customer wished to try on a pair. And, in any case, only one size and colour of each style or type of shoe, boot, sandal, etc., is likely to be on display at any one point of time.

Instead, when a customer shows his interest in a particular style, a shop assistant will ask the size – he or she usually wears and the colour they prefer, and will then try to find the right size and colour from the pairs of footwears held in reserve. In many cases pairs of popular items in the most commonly asked for sizes will be kept inside the shop itself, on shelves or in cabinets. But the other pairs will be kept in another room – or perhaps in more than one room – to which the shop assistant can go to find the footwear concerned; that room is the 'store room' or 'stock room'.

When a pair of shoes or other footwear is sold from those inside the shop, it must be possible to replace that pair quickly, whenever possible, by another pair held in the store or stock room. No business could operate efficiently if every time it sold an item or used up an item in manufacture, it had to order a replacement from the supplier or manufacturer. Of course, from time to time, items can 'run out of stock' but, as you will learn during this Program, efficient stock control will reduce or eliminate such happenings, and ensure that replacements are received in the proper time, and are available when required to replace those items sold or used.

Customer service is the provision of service to customers before, during and after a purchase. According to Turban et al. (2002), "Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation."

Some have argued that the quality and level of customer service has decreased in recent years, and that this can be attributed to a lack of support or understanding at the executive and middle management levels of a corporation and/or a customer service policy. To address this argument, many organizations have employed a variety of methods to improve their customer satisfaction levels, and other key performance indicators (KPI).

In this unit, we will discuss the customer service desk and exchange of defective products. We will also focus on loyalty programs for a store.

2.3 Inventory Management

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Inventory management is a part of the supply chain where inventory and stock quantities are tracked as things move in and out of the warehouse. Inventory management systems aim to alert you to where your inventory is at any given time, and how much of it you have to manage levels correctly. Some organizations scan in their inventory with a barcode scanner to improve efficiency and accuracy along picking routes. An inventory management system focuses on a single supply chain process, unlike an ERP system. These inventory management systems often integrate with other systems you use throughout the course of business, such as point of sale system or POS software, shipping, and channel management, allowing your organization to build a personalized integration stack suited to the needs of your business. Ultimately, the goal of inventory management is to ensure you have increased visibility and organization of your inventory activity with automated and streamlined operations from picking to packing and shipping the inventory. Small businesses, especially retail stores, must have effective inventory management systems and processes in place if they wish to remain competitive.

Retail Inventory Management

As you know that inventory management is one of the pillars of a successful retail operation. Retail inventory management techniques help stores and e-commerce sellers satisfy customers, reduce costs and increase profits:

Retail inventory management is the process of ensuring you carry merchandise that shoppers want, with neither too little nor too much on hand. By managing inventory, retailers meet customer demand without running out of stock or carrying excess supply. In practice, effective retail inventory management results in lower costs and a better understanding of sales patterns. Retail inventory management tools and methods give retailers more information with which to run their businesses, including:

- Product locations
- Quantities of each product type
- Which stock sells well and which doesn't, by location and sales channel.
- Profit margin by style, model, product line or item
- Ideal amount of inventory to have in back stock and storage
- How many products to reorder and how often
- When to discontinue a product
- How changing seasons affect sales

Importance of Inventory Management in Retail

Inventory management is vital for retailers because the practice helps them increase profits. They are more likely to have enough inventory to capture every possible sale

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while avoiding overstock and minimizing expenses. From a strategic point of view, retail inventory management increases efficiency.

- **Decreases Inventory Costs:** When you know how much stock you have and how much you need, you can pinpoint inventory levels more accurately, thereby reducing storage and carrying costs for excess merchandise. Other savings include shipping, logistics, depreciation and the opportunity cost that comes from not having an alternative product that might sell better.
- **Minimizes Out-of-Stocks:** To avoid disappointing customers and missing sales, retailers want to avoid running out of inventory. Retailers can use inventory management tools to determine how much stock is "just right" to have on hand, neither too much nor too little. This amount will be larger for best sellers than for unpopular products. Also, with real-time information on sales and stock, retailers can react quickly by reordering, transferring stock from another location or drop shipping to the customer.
- **Improves Profit Margins:** With lower inventory costs and enough supply to fill every order, retailers improve profitability.
- **Prevents Spoilage and Obsolescence:** Inventory management helps retailers address another costly inefficiency that happens when products expire or become obsolete. This phenomenon can apply to perishables that have a limited shelf life, such as milk and meat, or a non-perishable that becomes obsolete because consumer tastes and technology change. For example, season collections or holiday-specific packaging. Or when a piece of consumer technology adds a popular new feature, the old models may face plummeting demand: Consider how the rise of smart televisions sunk demand for models that weren't capable of streaming content.
- **Improves Multi-Channel and Omnichannel Performance and Order Fulfillment:** If you are selling via physical stores, your website and third-party merchants, it can be difficult to keep correct inventory counts across all channels. Having accurate inventory data across selling channels lets you use your inventory more efficiently, ultimately getting the product to consumers faster.
- **Simplifies Processes and Facilitates Growth:** Strong inventory management also reduces friction in your systems as sales grow. Shipping, receiving and order fulfillment run more smoothly, and you minimize errors, customer complaints and staff stress.
- **Reduces Shrinkage:** Shrinkage is inventory loss due to shoplifting, product damage, vendor mistakes or fraud, employee theft and administrative errors. According to a survey by the FMI food industry association, the average supermarket loses up to 3% of sales through shrinkage. A National Retail

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Federation survey puts average shrinkage for its members at 1.4% of sales in 2019. This data suggests that most losses stem from incorrectly recording inventory on intake, miscounting it or misplacing it. Stronger retail inventory management could reduce shrinkage by at least half.

- **Eases Supply Chain Management:** Having a firm grip on inventory and sales trends helps you manage your supply chain better. You can use the replenishment system that works best for you, whether that's just-in-time ordering or fewer, bigger orders. Retail inventory management helps you determine your economic order quantity (EOQ), which is the ideal order size to minimize inventory costs including holding, shortage and ordering expenses. The EOQ formula, which factors in demand in units, ordering costs such as shipping charges and holding costs, works best when these variables remain consistent over time. Learn more about the EOQ formula.
- **Improves Customers Satisfaction:** When customers get the products they want faster with fewer mistakes or out-of-stocks, it increases customer loyalty.
- **Improves Forecasting:** You can use data such as historical sales results and available inventory to project future sales, growth and capital needs. These forecasts are vital to your budgeting and guide spending for marketing, product development and staffing.

Retail Inventory Management Working

Retail inventory management works by creating systems to log products, receive them into inventory, track changes when sales occur, manage the flow of goods from purchasing to final sale and check stock counts.

The information from these systems helps you achieve the benefits of retail inventory management, such as lower costs and higher profit margins.

Basic Steps in Retail Inventory Management

The basic steps in retail inventory management verify the goods you have, their quantity, location and other specifics such as expiration date. This stock data is useful for maximizing profits by understanding demand, costs and other variables.

The following is a breakdown of the steps in retail inventory management.

1. **Create a Centralized Record of All Products:** List all the products you carry in one place with these details:
   - Product name
   - Stock-keeping unit (SKU)
   - Brand
   - Variables such as size, retail price, product category, lot number, location and expiration date.

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- Vendor and vendor SKU
- Wholesale cost
- Minimum reorder amount
- Economic order quantity (EOQ)
- Case quantity amount
- Inventory on hand
- Reorder lead time

Add product images and descriptions to help staff identify products. This step is key if you sell by ecommerce. When you add new products, put them into your inventory record. Whenever information such as a vendor or wholesale cost changes, update it. Establish policies for entering inventory, including who is responsible and when to do it. Having rich data helps unlock the power of a retail inventory management system.

2. **Identify Stock Location:** If you are a small business with just one store, recording your inventory's location is straightforward. Items are probably either on display or in the stockroom. But retail chains with multiple sites and sellers might have inventory in warehouses, distribution centers, transit, stockrooms and on store shelves. Within those destinations are more specific locations such as section, shelf and rack. Misplaced and overlooked products represent missed sales and lost revenue. Retail inventory management practices help prevent this. Use radio frequency identification (RFID) tags, bar codes and labels that contain category and department codes to fully or partially automate the mapping of your inventory.
3. **Do Regular and Accurate Stock Counts:** You need to count your inventory periodically to ensure it is accurate. Take into account shrinkage, damage, defects and returns to avoid errors. A retail inventory management system makes this process easier because you only need to double-check your data, rather than start from scratch. So, you can primarily focus on deviations. The frequency of counts depends to an extent on your business's complexity, scale and the type of inventory management system you use. Nonetheless, experts recommend counting inventory once a quarter or once a year at absolute minimum. Some businesses count individual parts of their stock daily.
4. **Combine Sales Data With Inventory Data to Simplify Reporting:** A retail inventory management system can integrate sales and inventory data. This picture shows you which goods are turning over fastest (a metric called sales velocity) and which are lagging. Use the product data to decide when and how much to reorder and when to offer promotions or discounts.
5. **Create a Purchasing Process:** Schedule times to review data and place orders, so you don't get caught behind seasonal trends or risk stock outages. With an electronic system, you can set stock levels for individual products that trigger alerts

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for reorder. These levels should include a buffer that allows sales to continue at normal levels. If you're using a manual system, review which items are sold out or at reorder points, and add them to your purchase list. Prioritize purchases based on an item's profitability, popularity and lead time. Then, create a purchase order.

6. **Establish a Process for Markdowns and Promotions:** Product sales can fail to live up to expectations for several reasons, such as a cooling trend, obsolescence or seasonal factors. If you offer markdowns, be disciplined about discounting and moving slow sellers, which can generate cash and make room for more profitable products. Additionally, create a strategy ahead of time for promotions to ensure that you have enough stock on hand to meet demand.
7. **Create a Stock Receiving Procedure:** During the receiving process, you'll verify incoming orders and enter goods accurately into an inventory system. Without an established procedure, any supplier error or damage in transit can result in problems like unexpected stock outages, overpayment to vendors and dead stock. Check each delivery against the purchase order to verify the contents match the order. Count cartons and pallets, confirming product type and numbers and noting mistakes, damage or shortfalls. Follow up with vendors on any issues. Then, enter the new products into inventory counts and store the goods. Depending on your needs, you might add price tags or bar codes to the stock. Perpetual inventory management, the simplest way of managing inventory, involves counting goods as soon as they arrive.
8. **Create a Procedure for Returns:** Without an inventory management process for handling customer returns, you face an increased risk of holding unsellable stock or missing an opportunity to put a sellable item back on display. When a customer makes a return, check to see if the item is damaged or defective, and route it for repair, write-off or return to the vendor as appropriate. If the product is sellable, add it to your inventory counts, and put it in its correct place (in a physical store, ecommerce inventory, etc.).
9. **Determine a Dead Stock Procedure:** Excess inventory ties up capital and weighs on profitability. Dead stock includes damaged items, incorrect deliveries and leftover seasonal products. First, record items that fall into this category and remove them from inventory. Designate a place to hold dead stock, and handle it regularly (weekly, monthly or in a time frame that's right for your business). Ship merchandise that you can return to vendors for credit, called pullbacks, promptly. Note any deadlines for the return shipment. Return damaged and defective goods to suppliers, or document and notify suppliers, according to their policy. Depending on your product line, you can deal with the remainder by selling to outlets, donating, recycling or disposing of it.
10. **Pick Your Inventory KPIs:** To gauge the success of your process, pick and track some key performance indicators (KPIs). Profitability, inventory value, sell-through rate and turnover rate are essential metrics for retailers.

Methods of Inventory Management for Retailers

Inventory management methods help retailers generate maximum profits by reducing costs, improving efficiency and understanding sales drivers. These methods optimize quantities purchased from suppliers, fine-tune fulfillment processes, strategically locate products, account for inventory and analyze demand and sales patterns.

The following are some of the key inventory management methods for retailers, organized by category. Inventory Ordering Techniques for Retailers These methods will help you determine demand. Inventory management software can automate this planning.

- **Economic Order Quantity (EOQ):** Use this formula to calculate the ideal order amount. The equation takes into account demand, ordering costs and carrying costs. Where D is demand in units, S represents ordering costs per order such as shipping, and H represents holding costs such as storage expense, the formula is: $EOQ = \sqrt{(2 \times D \times S / H)}$
- **Open to Buy (OTB):** This plan-ahead technique tells a retailer how much merchandise to buy in dollar terms for a fixed period. The goal is to ensure there's adequate supply and to generate positive cash flow. The formula is: Planned sales + projected end-of-period inventory on hand, in transit and on order - planned beginning of period inventory = OTB at retail cost
- **Safety Stock and Par Level:** Safety stock is the amount of inventory you order to serve as a buffer to prevent running out of stock. You carry this additional quantity in case of incorrect sales forecasts or unexpected consumer demand. Par level = safety stock + the minimum inventory required to meet customer demand If inventory falls below par level, it is time to reorder.
- **Reorder Point:** Using sales data and the lead time for new merchandise to arrive from vendors, retailers can calculate the reorder point, or the inventory threshold that should trigger reorder. The formula is:

  (Average daily unit sales × average lead time in days) + safety stock in units = reorder point in units
- **Just in Time (JIT):** With this method, retailers receive new inventory exactly when they need it, rather than in advance. Japanese automakers pioneered this approach, which minimizes tying up capital in inventory and storage costs. JIT is easiest to implement with high-cost, low-volume goods like cars and appliances. The savings on low-margin, high-volume products, when compared to the risk of stock-outs, may not be enough to merit the extra complexity.
- **Inventory Fulfillment Methods for Retailers:** These methods offer ways to reduce the cost of getting products to customers or holding inventory. They also increase handling efficiency.
- **Drop Shipping:** With this method, the retailer does not hold the products it sells. When a customer makes a purchase, the retailer buys it from the vendor,

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who ships it to the customer. This decreases the retailer's costs for handling and storage as well as its investment in inventory.

- **Consignment:** In this arrangement, the wholesaler or supplier still owns the merchandise, but the retailer stocks it in inventory. When the product sells to the end customer, the retailer pays the vendor, thereby reducing upfront expenses for the retailer.
- **Cross Docking:** The goods in incoming deliveries are directly put onto outbound trucks without ever entering storage. The outbound goods may be going to customers or retail outlets and distribution centers. This technique reduces handling and warehouse space.
- **Pick and Pack Process:** The way a retailer fills ecommerce orders from the warehouse will influence efficiency, volume, error rate and other factors that impact customer satisfaction and profitability. Methods include individual order picking (each order filled one at a time), batch picking (gathering multiples of the same item at one time for different orders), wave picking (filling groups of similar orders at the same time) and zone picking (workers pick only products in their assigned zone of the warehouse).
- **3PL:** Some retailers benefit from outsourcing inventory handling and order fulfillment to third-party logistics services. They can save the retailer money and scale more easily.

Inventory Accounting Techniques for Retailers

Use one of these methods to determine the cost of your inventory and goods sold for accounting purposes. Both techniques impact profits, taxes and the usefulness of financial reports. They are strictly for the accounting of physical inventory. They do not require you to identify and track the age of each item sold.

- **First In, First Out (FIFO):** This method assumes you sell the oldest products in your inventory first. This option is the easiest to understand and use. This technique tracks the natural lifecycle of goods: Retailers usually prefer to sell older products first, before they spoil, become obsolete or lose value in another way. FIFO, the most popular choice for retailers, is thought to be a more accurate reflection of real business conditions than LIFO.
- **Last In, First Out (LIFO):** This technique assumes you sell newer inventory first. These goods often have a higher cost than older stock, which reduces stated profits and taxes. LIFO carries a risk of allowing inventory to remain on the books indefinitely and become undervalued or overvalued relative to market costs. LIFO accounting is more susceptible to manipulation, so it is less trusted.

Inventory Analysis and Forecasting Methods for Retailers

Retailers use techniques in this category to understand their performance. For example, they identify products that sell best so they can prioritize them. Stores also use these to determine their return on inventory investment and estimate the value of their stock.

- **ABC:** ABC analysis divides inventory into three groups:
  - A is for your most valuable products, typically the 20% of inventory that accounts for 80% of sales or profits.
  - B represents the greater number of mid-range products that do not fit in either A or C.
  - C is for the largest number of products that sell the least or contribute least to profitability.

  Retailers use this information to improve how they manage—how much they hold and their purchasing strategy—inventory in each group. ABC analysis data can also guide marketing efforts and other strategic activities.
- **FSN:** This method, which stands for fast, slow and non-moving analysis, is similar to ABC in that it categorizes inventory into three groups. Here, the division focuses on sales velocity (the speed at which you generate revenue). Fast-moving items might be able to support price increases. Similarly, a store owner might consider discontinuing non-moving items. An online retailer could also organize a warehouse, so F products are the easiest and fastest to pick because they are closest to packing stations and on the most accessible shelves.
- **XYZ:** This technique also sorts products according to variability in demand and difficulty in forecasting sales. X products have steady demand, Y items have strong variability, and Z goods have erratic and hard-to-predict demand. Retailers can even combine the ABC and XYZ systems to segment their inventory for more precise ordering and stocking practices. For example, your reordering policies for an AX product, which is a strong contributor to your bottom line and has steady demand, would likely be quite different than for a CZ product, which contributes least to your business and faces unpredictable demand.
- **Batch Tracking:** The objective of this segmentation technique is quality control. This method groups goods into sets of products that were manufactured or processed together using the same raw materials. Retailers monitor information about products, such as expiration dates, place and date of manufacturing, origin, recall status, defect rates and purchaser, by batch or lot. For example, a grocery store chain wants to keep an eye on all the milk expiration dates in its inventory. A paint retailer would make sure that all the cans in a customer's purchase came from the same lot to avoid shade variation. Meanwhile, some goods such as medication need an audit trail.

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- **Gross Margin Return on Investment (GMROI):** This formula shows retailers how much gross profit they earn for each dollar invested in inventory. Many stores look at this value by department. The formula is: Gross margin return on investment = gross margin / average inventory cost
- **Inventory Turnover Rate:** This calculation tells a retailer how many times it sells its entire stock of inventory in a year, which is an indicator of financial health and liquidity. There are a few ways to figure this out. One is the cost of goods sold/average inventory value. Calculate average inventory by adding the beginning and ending inventory values and dividing by two. The second formula is the sales value/inventory value. Across all types of retail, inventory turnover rates average around eight. If your rate is higher or lower than your peers or makes a significant move, you may want to try inventory turnover rate optimization techniques. These include steps such as being more aggressive about putting items on sale and ordering more or less of a product. Knowing your turnover rate also helps you plan orders for long lead-time goods.
- **Retail Inventory Method:** This technique is a fast way to estimate the ending inventory value. Since the result is an estimate, the number is not usable for financial statements, and you should confirm it against inventory counts. Follow these steps:
  - First, get the cost-to-retail percentage (inventory cost/retail price).
  - Determine the cost of goods available for sale (cost of beginning inventory/ cost of purchases).
  - Figure out the cost of sales for the period (sales × cost-to-retail percentage).
  - Calculate the ending inventory (cost of goods available for sale – cost of sales during the period).
- Retail Demand Forecasting: Use these techniques to predict how much your customers will want to buy. This one is tricky; there are many qualitative and quantitative methods. Among the common quantitative methods are moving average and time-series analysis—which take historical sales and seasonality into account. Predictive analytics software can perform this kind of forecasting by incorporating multiple methods. Having a good idea of demand can boost profitability by helping you determine staffing, purchasing needs and the optimal inventory to hold.

2.4 Store Security and Maintenance

To operate a successful retail business, we need to create a secure environment – for our customer, our employees, and the store itself. Retail security includes many aspects:

keeping intruders out and keeping track of who comes in; protecting merchandise from shoplifting and employee theft; responding to smoke; fire or other emergencies. Security — the word can bring to mind two diametrically opposing images: blissful safety, or a world of suspicion and fear. For co-op retailers, security should conjure images of careful and prudent protection of our member owners assets. All too often, co-ops jeopardize their hard earned assets – cash, inventory, and equipment – through either naivete or neglect.

As a retail store owner, you know it's important to ensure that your retail space is safe for both customers to shop and employees to work. There are a variety of ways in which a workplace can become unsafe, including inattention to detail or inconsistent floor checks that may lead to injury or illness. While the Occupational Safety and Health Administration (OSHA) has safety recommendations for workplaces, your retail store is only as safe as you keep it. There are a variety of factors to keep in mind when evaluating the safety of your store.

Safety and Security Factor Considerations in the Retail Store Design

The basic design thumb rules of designing any space stay the same: safety and protection should never be overlooked. Many a time, these factors are negated or given second place, depending upon the commercial utilization and viability of that particular space. These important factors should be taken into account right from the drawing board phase of the design.

Let's take a brief look at some of the major areas of security concern and evaluate how your store's operation measures up to common standards. Remember: even though your store is co-op, you are susceptible to theft. Experienced criminals as well as "first timers" may see you as an easy target. Don't be caught off guard!

Fire Safety and Fire Hazards

Fire safety refers to precautions that are taken to prevent or reduce the likelihood of a fire that may result in death, injury, or property damage, alert those in a structure to the presence of an uncontrolled fire in the event one occurs, better enable those threatened by a fire to survive in and evacuate from affected areas, or to reduce the damage caused by a fire. Fire safety measures include those that are planned during the construction of a building or implemented in structures that are already standing, and those that are taught to occupants of the building.

Fire hazards may be abundant in your retail store. Factors such as exposed wire from lighting or computers, open flames in a store display, improper chemical storage in a back room or combustible materials left near a heat source are major fire hazards that could harm both employees and customers. To ensure you're prepared for any fires that may arise, always keep fire extinguishers in your store and make sure all employees are trained in how to use them. Schedule routine fire extinguisher inspections to verify that they function properly.

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Ergonomics

According to OSHA, ergonomics is the science of matching your workplace requirements to your employees' capabilities. Mismatching job requirements to capabilities can result in employee injury or illness. For example, if you hire a petite person to lift very heavy boxes for hours on end, you may risk injury to your employee due to poor ergonomics. OSHA's examples of some common ergonomic risks include those jobs that require frequent or heavy lifting, prolonged awkward postures or situations in which the room temperature is very cold for a long time.

Air Quality

Retail stores often may be located inside other buildings such as malls, with no windows to open in case the store needs to be aired out. Without proper ventilation, the air in a retail store may begin to collect mold, fungus, bacteria or specific vapours from products used. To keep air quality safe in your retail store, the Retail, Wholesale and Department Store Union recommends installing a mechanical system that cycles in fresh outdoor air and circulates it throughout your store, both in the main floor area and in any back rooms. If a mechanical air system is already in place, check to see that it is functioning properly and hire a professional to fix it in case it stops working.

Visual Inspection of Premises

Visually inspect your store's premises consistently to ensure that no hazards are apparent. These hazards may include uneven flooring, spills that could cause a customer or employee to slip and fall and misplaced boxes or other items on the floor that may cause someone to trip and hurt themselves. Make sure spills are mopped up immediately, and remove clutter from your store's floor. If you do not plan to be in the store every day, train your managers about what to look for to keep your store's premises safe.

Where your retail store is located can determine what safety measures you may need to take in case a natural disaster occurs. For example, if you are in a region where earthquakes are common, you may take special precautions by not stacking inventory high above your customers' heads where it can fall with earth movement. If tornadoes occur in your area, be prepared with a plan that allows you to alert customers immediately to any watches or warnings. If possible, have a safe sub-room built below ground where you, employees and any customers can wait out imminent tornadoes. Keep safety kits that include water and non-perishable food in case employees and customers are unable to leave your store after the natural disaster is over.

Crime

Whether you've experienced shoplifting or other types of crime in your store, or if similar crimes have happened at nearby retail stores, the safety of your customers and employees may be in peril if a crime can occur on your premises. Be prepared to nip crime in the bud by taking measures that may include installing a security alarm system, setting up surveillance cameras in different parts of your store and hiring a security guard who can monitor your store during business hours.

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Lighting

Low lighting may create the ambiance you are looking for in your retail store, but it can lead to more accidents or crime. Poor lighting may make it easier for shoplifters to steal goods without being clearly seen. Customers or employees also may have problems seeing objects on the floor and could trip and fall as a result. Always keep good lighting on throughout your store's front end and in stock rooms.

Employee Training

A variety of emergencies in your store could require a first aid-trained employee to handle. For example, if an employee cuts himself unpacking inventory, he may need to properly know how to clean and bandage the wound to avoid infection. If, on the other hand, a customer begins to choke on candy you've put at the front register, one of your employees may save her life by administering the Heimlich manoeuvre and dislodging the candy from her throat. Hire a firstaid professional to train your employees in basic first aid, and always keep first aid supplies on hand in case of emergency.

2.5 Customer Service

Customer service means building good relationships with your customers. Excellent customer service would solve most if not all the challenges of the retail industry. It would add a competitive advantage, increase customer loyalty and brand awareness and improve customer relationships.

Furthermore, good customer service would also increase sales numbers and lower marketing costs. Making them feel as though their customer is important to you by creating a positive experience will ensure they leave your store with a good impression. This will then lead to customer loyalty and great ratings on social media.

There are so many things that contribute to a great in-store experience such as products, price and store environment etc. However, the customer service received is what will leave a lasting impression.

For retail stores, it is easy to influence and monitor the service your staff are providing. Using Mystery Shoppers/Secret Shoppers is a great way of seeing how you are performing in many areas and the shopper does not only report on the service but also can report on the store and staff appearance etc. Mystery Shoppers play a vital role by pretending to be ordinary customer while observing and determining various factors that might require improvement within the store environment and the service given. It is not a negative tool and does not only highlight areas where training might be required but also highlights when staff are doing a great job.

Building a rapport with customers and displaying excellent knowledge of products and services is a great way to encourage additional sales.

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The customer experience begins as soon as they enter your store. Initial impressions are important which is why it is essential to have your store looking great with merchandise easy to locate and displayed appealingly. It is also important that the staff are well presented and well groomed to give a great first impression. A warm welcome will make your customers feel like their custom is valued and this can be enhanced by staff asking an open-ended question such is "How is your day going?" or "What brings you in today?" Building rapport and encouraging a conversation is a great way to get to know your customers and what their needs are. It is too easy to simply say "Can I help you?" A customer can just say that they are happy browsing. However, by opening the conversation with a non-business line will be very beneficial. When you have opened the conversation with a potential customer, it is then when staff should offer their assistance by asking questions to ascertain the customers needs. This also shows that they have interest in the customer and will make them feel that the staff member really wants to help.

Showing customers merchandise and explaining the features and benefits will display their product knowledge which is also important when trying to secure a sale. Being enthusiastic about what you are trying to sell with also provide more encourage for a purchase.

When a sale is secured, it is then a great idea to suggest add-ons or complimentary items. Add-ons selling is one of the most powerful tools any retail sales assistant can have. It does not only increase the sale but also allows customers to discover things they need, and helps them get the most out of their purchases. This, in turn will increase your customer satisfaction and encourage return visits.

It's important for retail stores to remember that the farewell is just as important as the greeting. The farewell gives the lasting impression of a store and can be the influential factor for a positive feeling when that customer thinks of you.

2.6 Retail Industry: Structure and Trends

Ever since the unshackling of the Indian economy in 1992, the service sector is taking a lead in driving the economy. Retailing has become an important wheel of India's growth engine. Today, after two decades of economic growth and development, the retail sector accounts for over 20 per cent of India's GDP and provides employment to more than 10 per cent of the population.

The retail landscape in India has undergone a tremendous change. Historically, a large part of retail was in the unorganized sector. But over the years there has been a distinct movement towards the organized way of retailing (as evinced in most dynamic and emerging sectors worldwide) with several players who have entered the fray. As this is an industry that requires heavy initial investments in infrastructure, supply chain, technologies and inventories, and break even has a longer gestation period, most players have not yet seen profitability. But the future does seem to be promising.

The markets are growing because India has a large youthful working population with a median age of 24 years. In urban areas, most families are nuclear and the percentage of working women has increased. Furthermore, economic and regulatory policies are becoming more favourable for the retail industry. India's booming IT sector is also creating technological innovation for facilitating operations in this sector. Modern retail has captured the imagination of Indians as cable/satellite television, through their lifestyle channels, have ignited the passion for modern retail. This has further been fuelled by real estate companies developing huge malls, large sprawling shopping centres and huge complexes which offer almost all kinds of entertainment and shopping and dining experiences under one roof.

In fact, customer buying behaviour of the new generation of Indians has altered the complexion of shopping in terms of formats and experience. Retail in India is today at an inflexion point where growth of organized retailing is coupled with growth in consumption. These twin rockets are propelling the growth of the industry to hitherto unattained orbits. But one should be realistic about this growth story. It is important to learn from the experience of developed markets like the US and other G8 countries and re-look at structural issues such as:

11. Consumer behaviour
12. Physical infrastructure
13. Existence of efficient supply chain mechanism
14. Trained manpower
15. Technological changes
16. Societal impacts

Careful calibration of these parameters can help guide the future of retail in India.

2.7 High Provision and Market Saturation

The concept of 'high level of retail provision' means that customers have a large number of choices in terms of retail outlets from where they can make purchase goods. Classically, a 'retail provision' is a measure of density of retail outlets available per capita of population, in a well-defined and measurable geographical area. It is a metric which looks into the phenomenon of market saturation. However, the advent of non-physical retailing or e-tailing, the traditional way of computing 'retail provision' does not provide a very accurate index.

In the matured and developed markets of G8 countries, in most product categories, retail provision is high, with multiple choices for the customer. In UK, for example, it is estimated that for every shopper there is a retail provision of two square meters. In India, because of the sheer size of its population and relatively less real estate under the organized retailing segment, retail provision is not even close to the figures prevalent in the West. However, in certain geographical areas, such as the famous Mall-Mile at MG Road,

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Gurgaon, retail provision is quite high. In fact, for certain products and services categories a saturation point seems to have been reached.

A state of high retail provision and saturation is usually characterised by a highly competitive market scenario where players use manifold tactics to gain market share. These techniques (to attract customers) are a combination of, both, price and non-price orientation. Some of the ways in which retailers can try to garner market share in a high retail provision situation are:

1. Be a 'price warrior': Under cut competitors on the price at which merchandise is offered.
2. Attract bargain hunters. These are the variety of customers who look for basement bargains for every product.
3. Be a leader in customer services. Enthral the customer by sheer service experience.
4. Offer an alluring shopping environment. Offer air-conditioned environments, hygienically maintained areas, and especially in India, the case of vehicle parking.
5. Provide an enticing product mix. Offer a more relevant mix of products based on social, demographic pattern of a particular trading zone.
6. Offer more flexibility. Introduce late night shopping, early morning shopping, better credit terms, free home delivery, etc.

In a classical competitive theory, competition in the market place generally leads to new ideas and innovations. This is because competitors strive for a larger share of the customer's wallet by innovative approaches. But there is a downside as well. In a matured market, innovation sometimes gets stymied because competing organizations reach equilibrium in the market place which is difficult to dislodge.

2.8 Concentration Aspects of Retailing

Another interesting facet of a retail market is called concentration. This is parameter whereby retail concentration level is defined by the phenomena where a small number of competitive outlets share a very large percentage of sales. This is a concept borrowed from chemistry, which measures strength of an acid or a solution. In classical terms, both, monopolistic and oligopolistic markets can be termed as highly concentrated. However, it is difficult to find such market structures in the retail sector.

Concentration can clearly be seen in the merchandising verticals of the G8 countries. For example, the grocery sector in UK, where 7 companies have a market share of 75 per cent amongst themselves, and the discount store market in the US where 80 per cent market share is garnered by 6 large companies. In India, even though the organized sector is in its nascent stages, the forces of market concentration are visible. There is a reasonable amount of market upheaval which has led to closing down of some retail chains such as Subhiksha. Some mergers and acquisitions have also taken place. A recent example is the acquisition of Vishal Mega Mart. However, in the foreseeable future, concentration is likely to happen in the departmental stores, electrical appliances and branded apparel categories.

The jury is still out on whether industry concentration brings advantages or disadvantages to the customers. The potential advantage; due to economy of scale and larger expertise in a particular category can result in lower prices for the customers. On the downside, smaller retail organizations get wiped out in this process of concentration. Also, a combination of high provision and market saturation tend to kill innovation among the predominant retailers, as they have no incentive to innovate. The following sections elabourate on these aspects.

Imminent Demise of the Independent Retailer

One biggest downside of market dominance by few retailers is that smaller independent speciality stores get wiped out. This is obvious as the price levels and the variety of merchandise mix offered at the larger stores is not possible at the smaller stores. Sometimes, this leads to social upheavals and imbalances, especially, in smaller towns and rural areas. This phenomenon led to closure of Reliance Stores in the state of Uttar Pradesh. There have been studies which have shown that opening of superstores in such locations have led to closure of independent retailers. This leads to a negative impact where relatively less mobile semi-urban and rural community members are deprived of local shops which also serve as their socialization hubs. However, currently, this phenomenon is not particularly visible in India, as retail penetration has not reached rural markets to that extent.

Price Cartels

Classical wisdom shows that as markets become oligopolistic, there is a tendency for cartelization. This implies that the smaller competitors who are left to fend for themselves in a highly concentrated market may enter into arrangements with each other to keep prices inflated. At this juncture, becoming price warriors in not in their interest as it undermines their ability to generate higher profits. This certainly is not in the interest of the consumers. Even though one cannot wish away cartels, they have been around historically. The Government of India did bring out regulations under the Competition Act 2002 wherein such cartels started coming under the scrutiny of the Competition Commission of India.

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Lack of Innovation

Another downside of a concentrated and saturated retail market is the barrier of entry for new retailers to join the fray. One major reason for this is that store properties in prime locations are occupied by dominant retailers based on long leases or actually ownership. Over the years, because of their dominance, a sense of sluggishness creeps in and they tend to operate at less than optimum standards and space utilization is also often less productive. This means that exciting, new generation retail companies find it difficult to gain a toe hold in prime business spaces and high streets, such as Connaught Place (CP), one of the high streets of New Delhi, where the same set of retailers can be seen since the last 50 years! Many of them definitely lack innovation and new ways of retailing. Most of them continue to survive because they occupy prime space and customers in the vicinity often have no alternative options. But sometimes, such non-innovative retailers get shocked by competition when a nimble player enters a newly developed or redeveloped centre close by. But this is not necessarily the case in India as there is an abundant supply of premium retail space coming up through development of malls in new and accessible areas of the city. A case in point is the development of 'Select Citywalk' shopping mall at Saket in New Delhi, which now has metro rail connectivity as well.

2.9 Diversity in Retailing

The retail industry has always been a proponent of diversity. Formats are diverse, ranging from Mom and Pop shops to friendly neighbourhood stores to specialist outlets to large supermarkets or hyper markets. There is no 'cookie-cutter' approach to success in retailing. There have been examples of successful retail businesses run by a single person as well as those run by multinational corporations employing thousands of people. The nature of the segment is such that it is possible, even in concentrated sectors dominated by large organizations, that a nimble innovative player can exploit a strategic gap to find opportunities to develop retail business. One such example is the organic food market or market opportunities under the 'fair trade' label. Today, with internet technology coming into dominance a new element of diversity has also been added – e-tailing or online retailing.

2.10 Adoption of New Technology

The adoption of technology in the retail industry has been rapid. The main driving force for this is that technology allows retailers to reduce costs and improve customer services. Barcodes and barcode scanners have revolutionalized customer service in terms of reducing the merchandise checkout time drastically. A recent example is development of e-commerce in, both, B2B (Business to Business) and B2C (Business to Customers) segments, which has tremendously enhanced the efficiency of supply chain management.

Another disruptive technological innovation is internet-based retailing which is storming the bastions of traditional brick and mortar retailers. This in turn has led to development of web-enabled technologies by large retailers in hybrid formats leading to what is now termed as 'brick and click' methodology.

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Technological developments that are underway are the integration of electronic appliances with retailers. A new technology being built by Toshiba is termed as 'Smart Refrigerator'. In a pilot of this project in Japan, inventory of food products as they enter and leave the smart refrigerator is being monitored by retailers and as soon as quantities of bread, butter, etc., get diminished, a replenishment order arrives at the customer's doorstep. All this has been made possible by the magic of internet technology and embedded digital electronics.

All said and done, still there is nothing to beat the excitement and pleasure of shopping in the real world. This is because of the monotony of spending so many hours on a computer screen and mobile phones. Customers need some FQ (Fun Quotient)! Therefore, in the foreseeable future, physical retailing is definitely still going to be around.

2.11 Retail Ownership

One way of making a distinction between different types of retailers is by looking at the organization in terms of ownership and control. Most retail organizations can be placed into one of four categories – the independent retailer, the small multiple retailer, the large multiple retailer and the retail conglomerate. Other forms of ownership include Franchise, Dealership, and Network Marketing.

2.12 The Independent Retailer

An independent retailer is a small scale retail organization owned and managed by private individuals, with a network of less than 10 branch stores. Many independents are sole traders, or family-run business operation out of a single site. The store may offer a specialized product range, such as a butcher or a greengrocer, or a wide variety of product items as in a village store. They can be located almost anywhere; from single sites to shopping centers, and while the majority of independent retailers operate out of physically small stores, there are still a number of independent department store business in Edinburgh, which is run by the descendents of James Kennedy who managed the business in 1881, same holds true of Chandni Chowk and Sadar Bazar in Old Delhi where families still run retail business which were started in mid 1800's.

Independent retailers are often run by entrepreneurs who prefer to work for themselves and would feel vulnerable in adverse trading conditions because they do not have the financial support of a large organization. At one time independent retailers accounted for the greatest section of retailers operating in any market sector in the UK, however many have found it impossible to implement survival strategies, such as reoriented product ranges or niche marketing.

2.13 The Multiple Retailers

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Most 'high-street' retailers fall into the category of the multiple retailer, which is the term applied to retail organizations that have a central operational headquarters and a collection of branch stores under common ownership. Most, although by no means all, multiple retailers are public limited companies and are therefore owned by a collection of shareholders to whom the directors of the companies are responsible. Private multiple retailers are sometimes family-owned and run businesses, and allow for a greater degree of personal operational control than in a publicly owned business. The size of the business will be related to the number of branch stores and the size of those stores. A small multiple retailer is one which runs between 10 and 50 stores, after which is termed a large retailer.

The multiple retailer is a term that can only be applied to store based retailers, or to the store-based retailers, or to the store side of the business, and therefore this term may lose its meaning in the future as more retailers become multi-format organizations. Nevertheless, the multiple retailer has been the success story of UK retailing in the later part of the twentieth century, resulting in a concentrated industry dominated by large and powerful corporate entities. Another term that is often used for a multiple retailer is a 'chain store'.

2.14 Voluntary Retail Group

One way in which independent retailers have been able to fight against the might of the multiple retailer is by becoming a member of a voluntary retail group. Such groups operate in a variety of ways, but the main objective is to gain some of the buying power advantages of multiple retailers by collating orders from a number of independent retailers and negotiating with suppliers through a central buying organization. Members pay a subscription that may also cover the provision of additional retail services such as marketing and training. Some voluntary groups have a strong brand identity brought about by the requirement of members to trade under a common fascia and to stock a range of own-label products.

2.15 The Retail Conglomerate

As retailers become increasingly powerful corporations, there has been a growing amount of financial organizational activity in term of mergers, takeovers, alliances and joint ventures. In many cases companies have been amalgamated under one retail brand, but in others separate brands or fascias have been retained with the holding company trading as separate identity, giving rise to the retail conglomerate.

A recent high-profile retail acquisition in the UK was the Wal-Mart ASDA takeover in 1999. A key strategic decision will be whether Wal Mart should retail the ASDA brand indefinitely and exclusively in the UK, and the extent to which the UK customer should be introduced to the Wal-Mart retail brand.

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2.16 Franchises in Retailing

Franchises are operated on the basis of an agreement between two separate business organizations. One (the franchiser) provides a product and/ or a retail format, whilst the other provides the means by which an outlet is run. The franchisee provides the human resources and the finance required for the premises, is responsible for the operations management of the outlet and pays a royalty to the central organization. The problem with this type of organization is that the issue of ownership and control is often the cause of disputes between franchiser and franchisee. However, it does provide a method by which retailers can expand a successful formula very fast without the need for high levels of investment, and it offers outlet managers more autonomy as they are essentially running their own business. Franchising was used extensively in the 1980s by retailers such as Body Shop and Tie Rack to expand both domestically and internationally, although both of these companies have bought back a number of their franchised outlets in order to facilitate modernization programmes. Franchising is successfully used in the running of multiple food retailers such as McDonald's, Pizza Hut and Costa Coffee. In India, successful Franchises have been NIIT, APTECH in It education, Café Coffee Day and Barista in Coffee Bar segments.

2.17 Co-operative Retailers

The beginnings of co-operative retailing in the UK can be traced back to 1844, when a group of men known as the 'Rochdale Pioneers' began a trade in grocery produce based on the 'new' principles of fair prices for reliable quality goods. A cooperative is managed on the basis that the customers of a business are also the owners of the business. Each customer is entitled to become a member of the co-operative society, thereby receiving in the UK reached its heyday between the world wars, when the co-operative movement accounted for 11 per cent of total retail sales and a quarter of the grocery trade. But the fragmented organizational structure has prevented timely reactions to changes in the retail environment. Also, the co-operative retail movement has literally been left behind in the face of strong competition. In some European countries, however, co-operative retailers emerged as leading players. In Switzerland, for example, the dominant retail concern, Migros, is run on the basis of a 12-region co operative structure which includes hypermarkets, large and small supermarkets, and specialist stores in a number of non-food sectors.

2.18 Retail Formats

Many large retail organizational have grown using a particular retail format. The particular format used, to a certain extent, can be considered to be part of a successful

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strategy for that retailer, and by adopting a successful format and repeating it on a geographical spread, the retailer obtains economies of scale, efficiency and a strong identity. Therefore, an understanding of the different retail formats used is important for gaining an understanding of a successful retail strategy.

Store-based Formats

Even though stores are increasingly under threat from more recent retail format developments, they are still responsible for the major part of the retail trade, and so the different types of stores will be discussed.

Department Stores

Department stores are the oldest form of large stores. This format emerged in the early nineteenth century as a way of offering a collection of personal and home furnishings goods under one roof to the increasingly discriminating and affluent Victorian middle-class customers. They are still a powerful presence in today's retailing landscape, providing the focus for shopping centers around the world. A department store is a multi-level store (at one time six or seven stories were common, but today there tend to be from two to three stories) which are split up into clearly defined areas or departments according to product category. Any department stores offers width and depth in the product range so that almost every shopping need can be met, but other department stores concentrate on fewer (Table 2.1) categories and aim to offer a great choice within those categories.

Department stores in principal cities around the world are not only retailers; they also act as tourist attractions and sources of entertainment. Table 2.1 lists some of the famous stores around the world.

Table 2.1

World's Top Shops 2005

- Top Bookshop: Harvard Book Store
- Top Cashmere: Loro Piana
- Top Cheese: Murray's Cheese
- Top Chocolate: Jacques Torres Chocolate Haven
- Top Crystal: Waterford Crystal Visitor Centre
- Top Department Store: Harrods
- Top Duty-Free Shopping: Dubai
- Top Furs: J. Mendel
- Top Golf Clothes: Pringle of Scotland
- Top Jeweler: Life of Circle
- Lifestyle Store: Ralph Lauren

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- Top Lingerie: La Perla
- Top Picnic Supplies: Fortnum & Mason
- Top Shoes (Men): John Lobb
- Top Shoes (Women): Manolo Blahnik
- Top Shotguns: Purdey
- Top Sporting Goods: Orvis
- Top Stationery: Cassegrain
- Top Tailor: Anderson & Sheppard
- Top Textiles: Soma Shop
- Top Ties: Hermes
- Top Tobacconists: James J. Fox and Robert Lewis
- Top Toys: FAO Schwarz
- Top Wine Shop: Berry Bros. & Rudd

Source: Forbes.com

Department stores have recently been through some revival. In the 1980s, many traditional stores found they were faced with stiff competition from increasingly sophisticated retail offerings from a growing list of specialist stores, particularly in fashion, their most important product classification. Many department stores were suffering from outdated shop-fits and ineffective operations and systems that gave an old-fashioned image. During the 1990s, leisure shopping and a fashion trend that favoured designer branded goods helped the department store sector back onto its feet, and towards the end of the 1990s, a number of department stores went trhough regional expansion.

Variety Stores

Variety stores emerged as a store concept at the turn of the twentieth century, when Woolworths, an American store chain, opened their first store in the UK. It is the format traditionally used by Marks and Spencer and British Home Stores (BHS), and is a tried and tested formula. Variety stores are so named because they offer a large variety of goods under one roof, including both food and non-food items.

In terms of describing large stores, the boundaries of definition are becoming increasingly blurred. Some variety stores like the larger Marks and Spencer stores are becoming very much like department stores, as increased space allows the width and depth of the product range to be expanded. In contrast, some department stores traded down as a survival strategy in the late 1980s and early 1990s, leading to the evolution of the 'discount department store'. This format combines the product and brand choice of the department store with the low price orientation of the variety store, with service level and store environment lying somewhere in between.

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Specialist Stores

Although some department stores might be considered specialist stores because of the restricted product range (for example Harvey Nichols) or the customer market that they target (for example Harrods), most specialist stores are smaller, in line with the size of the product range offered. The majority of stores found in shopping centres or central retail areas are specialist stores due to the distinguishing feature of one product area dominating the retail offer. However, a store that targets a narrowly defined customer market segment such as the left Hand Shop in Soho, London, can also be described as a specialist store.

Again, example of a successful retailer who does not fit neatly into the defined terms, can be found. Lilywhites is a large, multi-level store that specializes in sports goods, but has a store environment that is reminiscent of a department store. Planet Organic is a supermarket that only stocks organic foods, so this retailer crosses the boundary between a specialist store and a supermarket.

Specialist retailers are not restricted to the selling of products; many speciality outlets offer service products to consumers. Examples include fast-food outlets, cafes and restaurants, banks and building societies, repair centers and dry cleaners, hair salons, nail bars and beauty salons. Boots, for example has tried specialist services such as chiropody, dental and personal health care, facials, manicures and hair removal in its larger outlets, to complement its already established service offer in the Boots Opticians chain.

Category Killers

The term 'category killer', which originated in the USA, describes the large specialist retailer that is typically found in an out-of town or edge-of-town retail park or site. The product range is geared to a restricted merchandise area, but the large size of store allows a very extensive selection within that classification. Comet, PC World, Toys R Us, IKEA, B&Q, Petsmart and Staples are all examples of this type of retailer. The stores are based on a one-level format and the economies of scale and inexpensive locations allow a value driven price offer. Many of the stores offer goods that satisfy complex needs (for example a computer or a carpet), and therefore specialist help is usually available, but the service orientation is relatively low.

Convenience Stores (C-stores)

As yet, no official definition of a convenience store has been established although the following criteria generally apply to this format: self-service, 1,000-3,000 sq ft selling area, parking facilities, open 7 days a week for long hours, a wide range of goods, but limited brand choice, including groceries, CTN (confectionary, tobacco and newspaper) products, toiletries, OTC (over-the-counter) medicines, alcohol and stationery. Other products and services that might be offered are take-away foods, toys, video hire, film processing and petrol.

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It makes a distinction that small, local supermarkets which only open during normal shopping hours are not C-stores, but the term could include a local 'corner' shop, a petrol forecourt shop, a shop at a travel terminal, as well as a clearly defined convenience store on a major route (such as Six 10, or Apnastore). The convenience store Concept has been the saviour of many small retail businesses who have seen their trade taken away by large grocery orientated multi-outlet retailers. By adapting to provide an emergency, impulse purchase and top-up service, many small retailers have found a living with a product range that is reoriented towards convenience.

Supermarkets, Superstores and Hypermarkets

Supermarkets, a store concept imported from the USA in the twentieth century, have been a highly successful retail format. The real advantage that the supermarket offered the customer was self-service, and therefore a much faster method of shopping. Instead of requesting products over a counter, the supermarket allowed the customer to get involved with the product prior to purchase. The ability to peruse the product offering, try new products and impulse purchase, appealed to the increasingly affluent postwar customer. In addition, the space and labour-saving factors allowed retailers to offer a wider choice of product at lower prices. The supermarket was therefore quickly adopted as the principal method for acquiring 'every day goods'. Supermarkets now dominate the retail industry; they have grown into superstores, offering more and more products, adapting changes to provide the most convenient method of shopping for the majority of household goods for the majority of households.

Supermarkets, superstores and hypermarkets can be considered in the same 'family' of retail format, in that the stores are self-service, usually on one level and laid out in a functional grid pattern of aisles and shelving. Supermarkets are the smaller variant, usually located in a town centre or neighbourhood location, with a product range that concentrates on food and household consumables. Superstores are 25,000 square feet (approximately 8,000 square meters) or more, are usually in an edge or out-of-town location, and they have an extended product range featuring product categories such as clothing, home furnishing and home entertainment goods (for example ASDA and – Casino). A hypermarket is a huge retail outlet (over 50,000 square feet) in a out-of-town location, which offers an extensive range of products with the proportion of non-food items being greater than a superstore (a hypermarket is typically 60 per cent non-food). Carrefour for example, sells car tyres and bicycles in their hypermarkets in France and Spain.

Warehouse Clubs

A warehouse club is a retail outlet that stocks a limited range of grocery and household products, some home-oriented goods and some clothing products (usually 3,000-4,000 product lines). The distinguishing feature of a warehouse club is that you have to become a member to shop there. Prices are low, and the store environment is extremely basic. Most warehouse clubs operate in a similar way to a cash and carry outlet in that the goods have to purchased in larger quantities, but some (for example Costco), allow customers to purchase smaller quantities of some lines.

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Catalogue Shops

The best-known examples of catalogue shops (sometimes referred to as catalogue showrooms) in the UK are Argos and Index. These are the store-based outlets for the product ranges of catalogue retailers Argos and Littlewoods. Very little product is displayed in the outlet in comparison to the range as a whole, but the catalogues are available for customers to browse through if they wish to. Having specified the product and made a payment, the customer waits for a short time while the product is retrieved from a stockroom attached to the 'showroom' or store front. If the customer wishes, they can arrange for the product to be delivered to their home. In today's era of flexible shopping methods, the catalogue shop is a cost-effective way of providing a 'high-street' outlet. The format, however, introduces some problems in terms of product interaction and display, because of the reliance on the catalogue for representation rather than 'real' products.

Discount Stores

Defining a discount store is not an easy task, because the key characteristic is the price of the merchandise, which is subject to individual customer perceptions. However, there has been a growing interest in the 'discounter' approach to retailing, fueled by its popularity in the USA. A discount store is a retailer that sells merchandise at a price level that is lower than 'typical high-street stores'. A discounter uses an everyday low pricing policy, where prices remain constantly low, rather than a high-low pricing policy where prices only drop at promotion times.

Discount stores are sometimes run on the basis of a product range geared by opportunistic buys by the retailer, or they have planned ranges, sold with an unusually low profit margin. Discount stores can be small, such as Pound stretcher in the UK, or they may be large departmental stores, like T. J. Hughes or T. K. Maxx, whilst some of the most well-known discounters are supermarkets, for example Aldi, Netto and Lidl. Discount stores can be extremely minimal in terms of store environment and service, but a synthesis of the discounter and the specialist chain store has emerged in the form of the value retailer, who combines carefully planned product ranges, good service and store layout with an everyday low pricing policy. Examples of emerging strong players who have adopted this type of format are Reliance, West Side, Trent and Raymond's in the clothing sector.

Factory Outlets

A close relative of the discount store is the factory outlet. Factory outlet retailers offer customers a range of seconds-quality and/or previous season's goods. It gives manufacturers and retailers an opportunity to sell off unwanted merchandise without damaging the image of the main product or retail brand, and allows accessibility to customers who might not normally be able to afford the brands, or who are motivated by bargains. Factory outlet may be single-site retailers, or they may be located on one of the growing number of factory outlet villages.

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Charity Shops

Charity shops are usually run on the basis of selling stock that has been donated, although some, for example Oxfam, also have a range of specifically sourced products. Charity shops are often located in the 'quieter' areas of major cities or towns, or in smaller town or local precincts. The charity retail sector has grown considerably over the last decade or so with the more 'professional' approach to organization and outlet operation adopted.

2.19 Non-Store Formats

The opportunities for consumers to purchase products using a method that does not include a store at all have increased dramatically in recent years. In particular, growth has been significant in direct mail retailing and internet retailing. The great opportunity is to offer the consumer a higher level of convenience in the shopping process, in that shopping can be done at home, or in the case of internet shopping, from the office or via a handheld device.

Mail Order

Mail order retailers rely on printed media as the basis for their format. Catalogues are sent to consumers who order from the catalogue either by telephone, by post or online. In agency mail order, the consumer is offered the chance to order on behalf of friends and family, and to obtain a commission those sales, but increasingly catalogues are issued on a direct basis whereby customers simply order for themselves and their families. In UK there are a small number of large players who dominate the catalogue retail sector (Great Universal Stores, Littlewoods, Grattans, Freemans, Empire Stores, and N. Brown).

The rest of the mail-order sector is made up of an increasingly wide variety of specialist retailers who issue smaller catalogues to consumers via the postal system, or as enclosures with other publications. Mail order also includes printed media-based advertisements that rely on consumer response for the transaction to be completed.

Direct Selling

Direct selling is the term used to describe one-to-one proactive offers from producers to consumers, and may take the form of direct mailing (to individual consumers), telesales, and personal retailing. It would also include any approaches made to individual consumers via the internet. Direct mail is increasingly being used as' part of a direct marketing strategy that builds on one-to-one relationships between goods and service sellers and their database captured customers.

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Personal Retailing

Personal approaches are perhaps the oldest form of retailing, grounded in the activity of the 'peddlers' who travelled from house to house with their wares. Door-to-door selling is rarely seen nowadays, but more organized approaches to direct selling have emerged. The party-plan formula is one example of this type of retailing, used successfully by companies such as Bettaware, Vie and Ann Summers. Another example is pyramid selling, used famously by Amway cleaning products, where sellers not only earn commission on sales, but also on the people they persuade to join the organization.

Technology-based Retailing

Like most aspects of life, retailing is heavily influenced by technological developments. The ways in which technology has changed retail operations are discussed in a later retail technology unit, but these are generally concerned with the improvement of the service that traditional retail formats can offer to the customer. The issue that is currently uppermost in every retailer's mind is the impact that technology is having on the shopping process itself. We are beginning to experience a fundamental change in the way in which we shop, and this change is being driven by technology.

Vending

The oldest form of technology-based retailing is vending. Vending machines first appeared in the USA in the 1880s selling gum to New York City travelers and have since grown increasingly sophisticated as technology has improved. In 2005, vending accounted for over £1 billion of retail sales with clothing items (hosiery and jeans) being added to the growing list of convenience products sold in this manner.

Telesales

Another well-established method of retailing that is based on the application of technology is telesales, where product offerings are made by a personal telephone call from a seller to a consumer. Regarded by many as intrusive, telesales has a further, serious disadvantage of not being able to provide any product representation, and therefore its usefulness in many product categories is extremely limited. However, the telephone is a common method of consumer response to non-store retail offerings and so with call centers playing an increasingly major part in many retail transactions, the telephone is an important part of both inward and outbound communications between customers and retailers.

TV Shopping

The earliest form of shopping via the television was by means of information provider networks such as Ceefax in the UK. This method of retailing suffers from the same product-presentation drawback as telesales, but has been useful for services retailing (travel, entertainment, insurance) when the product is intangible, information based and the price offer is variable. More recent TV shopping developments have used the three-dimensional visual representation abilities of a screen image to provide a dynamism to the print-based retail offerings, first in the form of videos, and soon after in the form of a shopping channel, QVC, which was launched in 1983. One of the difficulties of programmed retail offerings is the need to provide the consumer with the opportunity to skip through unwanted product categories, and so interactive screen-based retailing is the most likely retailing format to offer the potential customer everything that is necessary to emulate the 'usual shopping experience'. The conversion to digital TV and broadband internet services will greatly facilitate the adoption of interactive TV shopping.

Internet Retailing

As a sophisticated and interactive medium, the internet accessed by personal computer is showing every sign of being accepted as a mainstream shopping mode by an increasingly computer-literate society. Using the internet to access information has been accepted as part of everyday life for many sectors of society, and in the process of shopping it has become very useful to customers as a way of accumulating information about retailers' product and service offerings in a relatively fast and convenient manner. As a way of accessing specialist retailers that might be geographically remote from consumers, the internet provides a channel of discovery for the consumer, and a way of providing home shopping services for a wider target market for the retailer. The internet is also an efficient home shopping device, enabling the less mobile consumers to order and take delivery of routinely purchased items such as basic groceries and household items.

Irrespective of the way we access the e-retailer, whether it is via the PC, the mobile phone or the hand-held personal organizer, consumers increasingly expect retail organizations to be able to offer flexibility in terms of information gathering (to supplement pre-sale shopping), purchase transaction, and taking delivery of the product or service (post-sale activity). By using a number of different retail formats, retail businesses are better able to allow consumers this flexibility. Most large retailers in the UK now fall into the category of the 'multi-channel' retailer, which is a term used to describe the strategy of using more than one 'route' to consumer markets. Typically, the multi channel retailer runs stores and has a transactional website (the so called 'clicks-and-mortar', or 'clicks-and-bricks' approach), but other combinations might be stores/catalogue, stores/catalogue/website, stores/website/direct mail. Offering alternative ways to shop may encourage customers to remain loyal to a favoured retail brand as lifestyles change, but it can also present retailers with new operational and competitive challenges.

Generalist and Specialist Retailers

Another way in which a retailer might be viewed, whether they use stores or any other format, is according to their degree of specialism. Many retailers, such as supermarkets, could be considered as generalists who supply a relatively wide range of products to satisfy a large number of consumer requirements. Other retaileis, however, offer a range of products that satisfy a particular or narrowly defined consumer need, and could therefore be considered to be specialist retailers.

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Specialist retailers, whether they are a clothing specialist such as River Island or a computer games specialist such as Game, only offer the consumer a limited number of product categories. However, the depth of product variation within those categories is great. A generalist retailer offers a large number of categories of merchandise, but little product variation or brand choice within each product type. A neighbourhood supermarket, for example, will have a product range which is wide enough to satisfy the majority of basic consumer needs, but does not have the space to offer the brand and product variation in terms of flavour, colour and size that a superstore can. Superstores, like department stores, offer both depth and width in their product range and sc cannot be easily classified as generalists or specialists. A small number of retailer successfully trade with a narrow and shallow product assortment travel kiosks illustrate this type of approach.

The largest sector is the mixed retail (non-specialist) sector into which many of the largest retail organizations fall. This is becausc many of the more successful retail players have reached their dominant position by extending their product ranges into more and more categories. All of the following retailers are classified as non-specialist, and therefore could be seen to be taking a generalist approach to their product offerings: Marks and Spencer, Argos, Woolworths, W.H. Smith, BHS.

A difficulty with the generalist/specialist approach to retail classification that some retailers specialize in part of their product range, but adopt a generalist approach to others. Boots, for example, specializes in pharmacy, health care and beauty products, but adopts a more generalist to approach household goods and stationery. Petrol fore court retailers specialise in products for the motor vehicles, complemented by a range of general groceries.

2.20 Store Management Responsibilities

Store manager's often go by titles like general manager or SGM (store general manager). They usually have at least one assistant manager working for them as well as various department managers and hourly employees. A store manager can work in grocery, clothing, mass merchandiser or even furniture stores. A store manager has numerous responsibilities and duties each day.

Profit and Loss

Store managers are responsible for meeting their region's sales and profit goals each year. In order to meet their sales and profit targets, store managers sometimes develop local

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marketing and promotional plans to increase business. Additionally, a store manager strives to increase customer satisfaction in his store through his employees and arranging merchandise so it is easy to find. A store manager's duties also include minimizing losses due to damage or theft. Loss prevention can include instructing other managers when to count down registers or when to close doors in the back of the store.

Store Operations

A store manager's duties almost always include overseeing the various departments in the store, including inventory management and ordering. The store manager may need to communicate area management goals to individual department managers and get their assistance in improving store operations such as service, cleanliness and image.

Hiring and Firing

A store manager's duties also include overseeing the interviewing, selection and hiring of all new employees. The manager must ensure that all employees meet the standards of the regional office. Store managers may need to arrange for prospective assistant managers to meet with their area manager for approval. On contrary, store managers must discipline or fire employees at times, making sure they follow the proper procedures to avoid possible litigation.

Training

A store manager's duties may entail directly training assistant managers on opening and closing procedures. Moreover, store managers usually oversee the training of all hourly employees, which can include stocking and pricing procedures as well as cash register training. A store manager may also attend seminars or off-site management sessions to enhance his own skills.

Payroll Processing

The store manager is responsible for ensuring that all employee paperwork or hours are approved so that people can get paid. Checks may be sent directly to the store, which the manager would then distribute; or the store could pay people electronically.

Meetings

At least part of the store manager's duties will entail meeting with the area manager and other store mangers to keep up with regional policies. For example, the region may have a special promotion that requires specific instructions. The store manager would then communicate the procedures of the new promotion to his employees.

In a retail store business, the progress operations of the store is affected by the skill of a store manager. Store manager is an important person and representation of the company at the forefront. Because of it, a store manager must know and understand

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the duties and responsibilities so that the store operation runs smoothly and generate maximum profit for the company.

Duties and responsibilities of a store manager is very complex. Therefore, knowing the main duties and responsibilities of a store manager is a must so that he can arrange the priority scale of these tasks.

Responsibilities of a store manager is as follows:

1. **Sales and Profitability:** Store managers know that they must achieve set sales target, but very few are aware that they must obtain profit from the business. Store manager should well aware that store health is measured from the store profit generated, not merely of the sales. Sales was important because it is the purpose of the existence of a store, but profit is the main purpose of a business. What does it mean a lot of sales but little profit, especially with no profit at all. Profitability is determined by sales amount earned by the number ofcost incurred. To gain maximum profit, a store manager must have good ability in termsof cost control.
2. **Inventory Handling:** Retail stores are businesses that depend on the availability of inventory or merchandise. In fact it may be said that the inventory is the heart of a retails tore. A store manager must have good skills in handling inventory, because this greatly affects the sales of the store they lead. Good analytical skills in Inventory Turn Over (ITO)for the goods available at his store is necessary so can be quickly converted into cash..
3. **Control of Human Resources:** The ability in controlling of human resources is responsibility that may be most difficult. Because control of these resources requires the capability of supporting a very complex includes communication skills, management,psychology, recruiting, training, motivating, and evaluating. If they good in this, then they are not just a store manager, they are also a good leader.
4. **Control of Assets:** The purpose of control of these assets is to ensure that all existing assets in the store are working properly so it supports the achievement of operational objectives. Assets that are the responsibility of the store manager is:
   (a) Tangible assets, such as equipments and buildings.
   (b) Intangible assets, such as corporate image, brand, service.
5. **Customer Service:** Every business is a 'service' business. This term is indicated on the importance of customer service, because service is what determines loyalty, satisfaction, and customer convenience in shopping. In the end, of course determine the sales turnover. Therefore, a store manager responsible for determining and carrying out of services performed by all of his team. Service is not only determine the turnover of sales alone, but even further is that it determines the image and brand awareness stores lead. And brand image is nothing but a business asset that must be maintained and controlled.

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2.21 Recruiting and Selecting Employees

The employee recruitment process is one of the more critical aspects of running a successful business. As a business owner or manager you need good employees to address critical business needs. And yet most everyone treats hiring as a necessary evil only to be done when it is absolutely necessary.

Adopting a different philosophy about recruiting and hiring employees can provide the edge necessary to get the best employees, faster and for less money.

Start by understanding what employee recruiting is all about. Think of recruitment as an ongoing process designed to develop a cadre of qualified candidates. There are two key take-aways from this approach.

First, the search for new employees needs to be an ongoing process. If you recruit only when a position is open, you will always be in a reactive mode. The best analogy I can provide is to think of recruiting just like selling. You are always on the lookout for new sales opportunities. The same holds for efforts to hire great people.

Second, you want a choice of qualified candidates. To have qualified candidates it is necessary to understand the business needs and what skills and behaviors will be successful in your environment. Knowing what to look for and relentlessly trying to find those people are the keys to successfully recruiting and hiring top employees.

The art of recruiting and selecting good employees is one that takes an organizational commitment by the company. Hiring fast and hiring well are not going to yield the same results. Take a step back, review your current practice for hiring and recruitment, then compare them to these strategies.

Create Awareness

Unless yours is a major company with a large area of influence, creating awareness is going to be necessary. You can:

Get a Booth at a Job Fair

The idea is to develop a talent pool of prospective employees in advance of actually needing them. Think of it like grocery shopping. You go to the store and stock up on food before you will be eating it. You do this for advance preparation, because you know you will get hungry. Hiring employees works the same way. Advance preparation will allow you a better opportunity to select from good talent.

Provide Opportunity and Expectation of Growth

According to Paul Sarvadi of Entrepreneur Magazine, "Researchers agree that the best way to hire and keep top talent is to create a company culture where the best employees want to work, a culture in which people are treated with respect and consideration at all times."

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This means that by taking care of your current employees first, you can accomplish a couple of different goals. First, you will retain more of your current employees due to their satisfaction with the company. Second, you will create a good learning atmosphere, which will allow current employees to grow and be selected for other opportunities within your organization. By creating a healthy internal atmosphere much of your recruitment can come from within.

Selection Criteria

Choosing the right candidate is an important decision. While some people may have the right history, they have the wrong attitude. Some may have the right attitude but score poorly on a compatibility test. When hiring an individual who is new to the company, two criteria are paramount: attitude and motivation.

When you hire only people with an outstanding attitude and tremendous motivation, you vastly increase the odds of your organization's success. Skills can be learned, but a good attitude and motivation cannot be. You cannot force someone to change his mental make-up, but the person who already is motivated and has the right attitude will push herself to learn the skills you require.

Southwest Airlines, renowned for its strong company culture and customer experience, practices this method. In an article for Fast Company, Peter Carbonara writes that hiring specialist "JoséColmenares is not looking for a fixed set of skills or experiences. He's searching for something far more elusive and much more important – the perfect blend of energy, humor, team spirit, and self-confidence..."

2.22 Motivating and Managing Store Employees

Each person on the planet has their own unique ideas, interests, talents, skills, and motivators. Even twins who share similar DNA have different opinions, interests, and motivators. So if we understand this, why do so many organizations have one set of motivators to try and change the behavior of the masses?

Does anyone else see anything wrong with this picture?

Our society is moving towards more and more customization. Have you noticed the increase in choices you have every day, from customizing your morning mocha to creating your own web page. So why is it that many organizations continue to do things the old way? You might hear the old adages: "change is hard, we do not have the budget for such customization this year, (insert your own phrase here), etc." Motivation is not just paying people more or offering them more perks and bonuses. Has anyone seen or taken an MBA course on how to motivate your employees that entails more than reviewing Maslow's hierarchy of human needs? I believe that managers in this new economy and beyond need a different set of skills in order to harness the potential of knowledge workers.

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Most managers understand that part of their job is to motivate and engage their employees. Some of the typical avenues might be: one on one status meetings, periodic outings for lunch or coffee, or maybe sitting in on project meetings to see how things are going. These three instances are an example that there is ample opportunity and time to customize an employee's motivation. So why does it not happen on a regular basis?

When customizing an employee's motivation a manager needs to be skilled at understanding the employee's four drives; Acquire and Achieve, Bond and Belong, Challenge and Comprehend, and Defend and Define. Once they understand their employee's individual four drives the next step is to discover what the employee is not saying about what motivates and drives them. Many times when you ask someone, "What Motivates You?" they will probably give you an answer fairly quickly – but by digging and reflecting a little bit deeper into their answer you may discover something else entirely. There is more to motivating employees than just utilizing one model and tools.

The four drive model is a good start but a manager also needs to understand reflective questioning techniques, asking open ended questions, utilizing gap analysis, and paying attention to body language, etc. Managers need to customize their motivational methods based on these insights.

For instance, Employee A really likes to be seen as an expert – so provide opportunities for that person to shine and be recognized as the expert (i.e., lead a brown bag lunch, ask them to help present at a Senior Leadership meeting about something they know well). Employee B wants to feel part of a close knit group so create avenues for that to happen (i.e., hold small team lunches with two or three people, set up small work teams to address some particular issue). Employee C has the drive to Acquire so the manager must focus that person on what they can do to earn more (i.e., review the incentive or recognition program with them, work with them on what they need to do to get a raise). The important part is to understand how each person is motivated and to tap into that motivation. This isn't easy.

As I stated in the beginning of this post, every person on the planet is unique. Managers have an incredible opportunity to develop and grow their employees but it will take adopting and learning some new skills and a genuine time commitment.

Employees are more than just their paycheck; they are each contributing their time, skills, knowledge, and talents to an organization. I believe they deserve our time and attention, what about you?

Motivating Your Retail Sales Staff

Keep a Positive Mindset

Retail is a day to day business. Some days you are HOT and some days your NOT. Don't buy into the down economy. This is not a bad economy – the US will experience a 10 trillion dollar economy this year alone. There is a lot of money to go around! If you are doing the right things to market your business and staying in touch with your customers on a regular basis they will return after your slow period of summer vacations, back to school, etc.

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When you keep your positive mindset it will flow onto your sales staff and motivate them to keep a positive mindset on the sales floor. This will keep your register ringing and your sales up. When you encourage a positive atmosphere with enthusiasm it is contagious.

Enthusiasm = Positive Emotions

Positive Emotions = Happy Customers

Happy Customers = More Sales and More Profits For You

Offer More Flexible Hours

Ask your staff to let you know in advance of your scheduling what days they will need off. Discuss your willingness to make it work for them. If business is slow offer some bonus paid vacation time to your best salespeople. The appreciate and surprise benefit will motivate them to become more loyal to your organization and they will return the favor with hard work and more determination to succeed.

Encourage Creativity

When times are slow hold more sales meetings to discuss new promotions, advertising, inventory,customer service, and future goals. Always get input from your staff at these meetings and have some fun with a creative brainstorming session that puts every one's ideas to work.

Be Open, Not Intimidating

Let your staff know that your door is always open to support them and listen to their ideas and concerns. Create a family atmosphere where people can feel they trust and support one another through the good times and the bad.

Have Fun

All work, and no play, can make for a dull day. Don't take your business too seriously. Lighten up, relax and enjoy some free time when your retail business is not in full swing. If you can't stand being around in during the down times – get out of the store and take a short vacation or attend workshops to build your business. Make sure to plan for a lot of relaxation time to refocus.

Discover new ways to look deeper into your business and focus on what you are thankful for and where you plan to go in the future. Upon your return, share your new discoveries with your sales staff during a fun and relaxed meeting. They will pick up on your motivation and feel more confident about their own future within your organization.

Remember Birthdays and Anniversaries

Recognize and celebrate with your staff often. Host an annual anniversary party for all the sales staff that have been with your retail store one year or longer. Make them feel special with surprise gifts and a very special evening out on the town. Or host an off-site meeting at are saturant or a picnic in the park for their entire family.

Snoop Days

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Take out your entire staff to shop the competition. If you have a large staff you may want to break this up during two or three different days and maybe even rent a large van so that you can all travel together and have some fun during your adventure. Introduce yourself to the competition. Let them know why you are shopping their store and offer to send them business in areas that you do not focus on in your retail store.

Your competitors can often be your best alliances. It will be a good lesson for your staff to learn and understand this competitive advantage of making friends with the competition. After your tour, take your staff out for lunch or dinner and discuss all the things your competition is doing RIGHT. The areas where they excel are the areas to watch out for. By educating yourself and your sales team to your competitors strengths and weaknesses, you will automatically feel more confident and motivated to move forward and succeed.

2.23 Evaluating Store Employees and Providing Feedback

Employers who routinely review employee performance and conduct regular employee evaluations reap tremendous benefits:

1. Your employees will know what you expect of them. They will receive feedback, praise, and criticism of their work, and will have notice of any shortfalls in their performance or conduct.
2. You can recognize and reward good employees and identify and coach workers who are having trouble.
3. The communication required to make the evaluation process effective ensures that you will stay in tune with the needs and concerns of your workforce.

The evaluation process also nips a lot of employment problems in the bud. Performance evaluations can keep you out of legal trouble by helping you track and document your employees' problems.

Create Standards and Goals

Before you can accurately evaluate employee performance, you need to establish a system to measure that performance. For each employee, you need to come up with performance standards and goals.

- **Performance standards:** Performance standards describe what you want workers in a particular job to accomplish and how you want the job done. These standards apply across the board, to every employee who holds the same

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position. For example, a standard for a salesperson might be to make $50,000 in sales per quarter. Make sure your standards are achievable and directly related to the employee's job.

- **Goals:** Unlike performance standards, goals should be tailored to each employee; they will depend on the individual worker's strengths and weaknesses. For example, a goal for a graphic artist might be learning a new software program that will make his or her work more efficient; for an accounting professional, a goal might be to take the exam to become a certified public accountant. Your workers can help you figure out what reasonable goals should be.

Once you have defined the standards and goals for each position and worker, write them down and hand them out to your employees. This will let your employees know what you expect and what they will have to achieve during the year to receive a positive evaluation.

Keep Track of Employee Performance

Throughout the year, track the performance of each employee. Keep a log for each worker, either on your computer or on paper. Note memorable incidents or projects involving that worker, whether good or bad. For example, you might note that a worker was absent without calling in, worked overtime to complete an important project, or participated in a community outreach program on behalf of the company.

If an employee does an especially wonderful job on a project or really fouls something up, consider giving immediate feedback. Orally or in writing, let the employee know that you noticed and appreciate the extra effort – or that you are concerned about the employee's performance. If you choose to give this kind of feedback orally, make a written note of the conversation for the employee's personnel file. It is also a good idea to have a policy on progressive discipline; for some guidance.

Giving the Evaluation

At least once a year, formally evaluate each employee by writing a performance appraisal and holding a meeting with the employee. To prepare, gather and review all of the documents and records relating to the employee's performance, productivity, and behavior. Review your log and the employee's personnel file. You might also want to take a look at other company records relating to the worker, including sales records, call reports, productivity records, time cards, or budget reports.

Once you have reviewed these documents and gathered your thoughts about the employee's work, write the appraisal (or, if you will solicit input from other managers, ask each of them to complete an evaluation, and then compile them). Although an appraisal can take many forms, it should include:

1. Each standard or goal you set for that worker and that job,

2. Your conclusion as to whether the employee met the standard or goal, and
3. The reasons that support your conclusion.

When you have finished writing the appraisal, set up a meeting to discuss it with the employee. Remember, this is likely to be one of the most important meetings you have with each employe e all year, so schedule enough time to discuss each issue thoroughly. At the meeting, let your worker know what you think he or she did well and which areas could use some improvement. Using your evaluation as a guide, explain your conclusions about each standard and goal. Listen carefully to your worker's comments – and ask the worker to write them down on the evaluation form. Take notes on the meeting and include those notes on the form.

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Evaluation Tips

Giving evaluations can be difficult. Some workers react to criticism defensively. And, sometimes, no one understands what merits a positive evaluation. If your workers feel that you take it easy on some of them while coming down hard on others, resentment is inevitable. Avoid these problems by following these rules:

1. **Be specific:** When you set goals and standards for your workers, spell out exactly what they will have to do to achieve them. For example, don't say 'work harder' or 'improve quality.' Instead, say 'increase sales by 20% over last year' or 'make no more than three errors per day in data input'. Similarly, when you evaluate a worker, give specific examples of what the employee did to achieve – or fall short of – the goal.
2. **Give deadlines:** If you want to see improvement, give the worker a time line to turn things around. If you expect something to be done by a certain date, say so.
3. **Be realistic:** If you set unrealistic or impossible goals and standards, everyone will be disheartened – and will have little incentive to do their best if they know they will still fall short. Don't make your standards too easy to achieve, but do take into account the realities of your workplace.
4. **Be honest:** If you avoid telling a worker about performance problems, the worker won't know that he or she needs to improve. Be sure to give the bad news, even if it is uncomfortable.
5. **Be complete:** Write your evaluation so that an outsider reading it would be able to understand exactly what happened and why. Remember, that evaluation just might be come evidence in a lawsuit. If it does, you will want the judge and jury to see why you rated the employee as you did.
6. **Evaluate performance, not personality:** Focus on how well (or poorly) the worker does the job – not on the worker's personal characteristics or traits. For instance, don't say the employee is 'angry and emotional'. Instead, focus on the

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workplace conduct that is the problem – for example, you can say the employee "has been insubordinate line managers twice in the past six months. This behaviour is unacceptable and must stop."

7. **Listen to your employees:** The evaluation process will seem fairer to your workers if they have an opportunity to express their concerns, too. Ask employees what they enjoy about their jobs and about working at the company. Also ask about any concerns or problems they might have. You'll gain valuable information, and your employees will feel like real participants in the process. In some cases, you might even learn something that could change your evaluation.

2.24 Compensating and Rewarding Store Employees

Many people are motivated by money – at least for a period of time. But the motivational power of money often wears off as employees simply get used to their current level of compensation. Many studies have confirmed that as long as employees are paid competitively, money is not the main factor that leads to job selection or performance.

Ultimately, most people are motivated more by the work they do and the environment in which they work than by the money they earn. Therefore, the compensation and rewards system you offer to employees should include both monetary and non-monetary ideas.

Utilizing Monetary Compensation

Growing businesses that struggle with cash flow issues and 'making payroll,' will want to think creatively about how to provide monetary compensation and rewards to their management and staff. When Ewing Kauffman managed Marion Laboratories, he paid his managers, directors,and officers salaries slightly below what competitors were offering, but offered profit-sharing,paid generous bonuses for high performance, and added benefits when the company did well.

Similar techniques are available to you in terms of end-of-year, team-performance, and individual bonuses, profit-sharing, stock options, phantom stock, and stock warrants. All of these plans can have their pitfalls, and all must be tailored to your particular situation. Seek expert assistance from a compensation specialist and a lawyer and keep your plan aligned with your company's values.

Remember, when establishing your compensation and reward policies, employees should be compensated for the work they do at or near competitive salary levels. Also, monetary compensation above and beyond competitive levels may not be motivating if the recipients really value other things, like time with their family.

Growing companies that cannot afford to pay the same salaries as an established corporation may offer their key employees a form of ownership in the company. That way, if the company is successful, the employees will share in the success.

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Be careful to avoid these pitfalls:

1. Diluting your controlling interest in the venture
2. Rewarding some people while alienating others who are also productive
3. Prompting the wrong behaviours or the wrong values
4. Diminishing a sense of camoraderie and teamwork
5. Increasing your tax burden
6. Bickering over accounting practices for stating profits
7. A one-compensation plan fits all mentality
8. Enabling disgruntled ex-employees to own significant stock

Compensation systems create consequences – whether they are intended or not. You must make a careful decision about how you are going to pay your employees. Even if you pay straight salary or hourly wages you've still got a monetary compensation system. The right compensation system can go a long way to building the kind of company you desire.

Providing Rewards

Effective reward systems include all forms of monetary compensation plus a wide variety of other motivators that are important to people in a work setting. You will be surprised at the benefits your company will reap when you reward good performance with job assignments, recognition, growth and learning, additional responsibility, trust, authority, and autonomy.

The effectiveness of any reward system requires two primary factors. First, the recipient must perceive the reward as a positive event, and second, the reward needs to encourage the desired behaviour. The desired behaviour must be consistent with the strategic goals of the company. It is your responsibility as the entrepreneur to make sure the reward system is set up to support the right behaviours.

To make this two-part principle work for you, you're going to have to understand rewards from the perspective of your workers, which requires you to spend time with your team and learn what's important to them. Monitor the results of your rewards to see if they're really having the effect you want them to have. Remember, what you perceive as rewarding may not be rewarding to your employees. For example, many companies reward sales people for their efforts by basing some or all of their compensation on a percentage of the dollar amount of sales revenues. This approach is a proven winner in most cases, but some companies – notably those who want to have their sales people act as consultants to their customers – have found that poorly conceived commissions can push salespeople away from their role as consultants, making it less likely that the client will turn to the salesperson in the future or that big-ticket projects will be developed.

Instead of relying solely on monetary rewards, try some of the following approaches to increase motivation and productivity:

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- **Say thank you:** Acknowledge people for their good efforts and superior results. You may be surprised what sincere acknowledgements will do. Consider both public and private acknowledgements but keep your employees' preferences in mind.
- **Share the big picture:** Employees work smarter and enjoy their work more when they know how their job fits into the company's success. Many companies have found success by sharing their financial performance with employees and showing them how they can help improve it.
- **Treat people fairly:** The world isn't fair, but most people hope it will be. Treating people fairly means treating everyone with respect, rewarding successful performance, and critiquing unsuccessful performance.
- **Create a learning attitude:** You will make mistakes as you lead your organization, but that's okay as long as you learn from them. Your team members are going to make mistakes too. Be a role model by discussing your mistakes. In fact, make the discussion of mistakes a regular part of your meetings. The point is not to focus on mistakes but on the lessons learned for future applications.

Consider the following three questions to help you learn from a mistake:

1. What did we do right?
2. What did we do wrong?
3. What can we improve next time?

Using these questions at every staff meeting and at the end of every project will help create an organizational culture comfortable with the truth, ready to acknowledge success, and open to learning and improvement.

Celebrate successes: When the company wins a big contract, finishes a large project, or reaches an important milestone, bring everyone together to celebrate. When individuals or teams do well or reach milestones, acknowledge their results as well. People want to feel part of a successful company.

Increase responsibilities: When people perform well, provide them with opportunities for advancement, increase their responsibilities, allow them more freedom to make decisions, forgive them larger portions of the budget to control. Beware not to punish people by overloading them with too much work: and don't assume that everyone will find new challenges rewarding.

Trust and ask for input: When you show others that you trust them, they begin to do things on their own initiative. They create energy for your organization. If you look over their shoulders constantly, you'll get employees who will only do what they are told.

Showing trust means asking for help in making important company decisions. When a major Detroit car manufacturer changed its management approach, one of the workers said, "I've been working for this company for twenty-seven years, and before the recent changes, not once in that time did anyone ask me what I thought should be done. For the first time they are now receiving the benefits of my head, not just my hands."

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Avoid micromanaging: Avoid the tendency to be consistently involved in every decision and every task. Remember that any given outcome can be achieved a number of ways. Encourage your associates to experiment by trying different ways to improve a task or solve a problem. Don't micromanage! Agree on the goals and let the employees figure out how to meet those goals.

Rather than spending great energy trying to prove that an employee is wrong and the boss is right, successful entrepreneurs say, "That way is not working; we should try something else". Establishing an experimental, learning attitude can turn early failures into success. An enthusiastic, "We are making this up as we go along," attitude can keep people looking for ways to improve the way they get things done.

CASE STUDY: A Retail Store Management System

Our client, an Ireland based IT Company, wanted a software solution that would enable retail stores to integrate their business processes such as sales, inventory management, order processing, etc. into a single centralized unit leading to increased operational efficiency. Based on these requirements, Icreon developed the web-based retail store management system. The software can be installed on an Intranet and used by retail stores to manage their day-to-day operations. Real-time sales and performance reports can be generated by the head-office to monitor the performance of all stores.

Business Requirements

Our client required a web-based solution that they could market to clients within the retail industry. Stores were to be provided the facility to create and manage a customer database including details such as customer information, their order and credit histories etc. The solution was to provide stores with the ability to manage their inventories send purchase requests to their distribution centers and manage the stock among their various warehouses. Provisions to generate reports such as sales reports, customers etc. were required to be built into the solution. Additionally, the system was to enable stores to create and manage a database of all their employees. The head-office was to be provided with the facility to oversee the functioning of all their retail stores thereby enabling them to obtain a holistic view of their business.

A web-based solution to streamline the operations of retail stores.

Benefits

- Provides a means to streamline operations by integrating business processes into a single unit.
- Automates the process of tracking inventory.
- Enables easy monitoring of stores by the head office.

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- Increased efficiency by reducing administration costs and improved performance.

Users: The users of the system will be the employees of the company using the application. Access to the various modules of the application will be based on the roles assigned.

Solution: The solution can be used by retail chains to oversee the functioning of their various outlets. Each retail outlet can use the solution to manage their operations independently of the other. However, the head office can oversee the functioning of all outlets and can run sales and performance reports on an individual outlet or collectively for all outlets. The solution has been divided into various modules, these include:

Customers: The details of all customers including personal details, address, communication details, sales person etc., of the retail outlet can be stored. The customer details can be drilled-down to view the details of all orders placed by a specific customer, credit notes, invoices, etc.

Stock: Retail outlets can use the solution to manage the details of the stock available. The system details out the total units of an item in stock, the allocated units and the unallocated units. Stock categories can be defined and items can be added the categories. Details such as product name, code, supplier, re-order level, discount, selling price, etc. can be stored for each item. Multiple items can be grouped together and offered for sale as a package.

The price, discount etc. for the package can be defined. A database of suppliers and tax rates can also be created and managed.

Sales: In addition to the details of all customers, all the details confirmed and unconfirmed (i.e. enquires/quotes) orders placed by the customers can be viewed. Each order can bedrilled-down to view the customer details, customer's payment history for the order, credit notes (if any) for the order, and the details of the items that were included in the order. While entering the details of the payments received for an order, the gift vouchers and credit notes of the customer can be used against the payments.

Dispatch: Dispatch orders can be created and managed through this section. A dispatch contains multiple dockets each containing the items to be delivered to a specific customer. The user can create define customer dockets and schedule deliveries. The dispatch order can be printed and the status of the order can be updated.

Stock Management: The details of the goods received from the distribution center are displayed. The outlet can define their warehouses and assign the goods received to specific warehouses. They are also provided with options to handle stock transfers between warehouses and stores. Gift Vouchers, for specific amounts, can be created and issued to customers.

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Reports: Sales reports can be generated to monitor the performance of the outlet individuality sales personnel within the outlet.

Employees: The outlet can create and manage a database of all its employees. They can also manage an HR calendar.

Administration: The administrator can create and manage user accounts, classify them into groups and grant them access to the various modules of the system. They can also manage the details of the company and view the users' activity log within the system.

One of the main features of the solution was the use of use of ribbon menus to consolidate and display all functions that can be performed in an interface, in a single area, thereby saving the user the hassle of browsing through various menus to locate the desired function.

Questions:

1. What are the benefits of a web-based solution?
2. What is the utility of a web-based solution to the HR department?

2.25 Customer Service Job Description

The customer service job description gives you a good understanding of the tasks, responsibilities and skills involved in customer service work.

General Purpose

Interact with customers to provide and process information in response to inquiries, concerns and requests about products and services.

Main Job Tasks and Responsibilities

- Deal directly with customers either by telephone, electronically or by face
- To face, respond promptly to customer inquiries
- Handle and resolve customer complaints
- Obtain and evaluate all relevant information to handle products and service inquiries
- Provide pricing and delivery information
- Perform customer verifications
- Set up new customer accounts
- Process orders, forms, applications and requests
- Organize workflow to meet customer time frames
- Direct requests and unresolved issues to the designated resource

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- Manage customers' accounts
- Keep records of customer interactions and transactions
- Record details of inquiries, comments and complaints
- Record details of actions taken
- Prepare and distribute customer activity reports
- Maintain customer databases
- Manage administration
- Communicate and coordinate with internal departments
- Follow up on customer interactions
- Provide feedback on the efficiency of the customer service process

Education and Experience

- High school diploma, general education degree or equivalent
- Knowledge of customer service principles and practices
- Knowledge of relevant computer applications
- Ability to type
- Knowledge of administrative procedures
- Numeric, oral and written language applications
- Product knowledge

Key Competencies

- Interpersonal skills
- Communication skills – verbal and written
- Listening skills
- Problem analysis and problem-solving
- Attention to detail and accuracy
- Data collection and ordering
- Customer service orientation
- Adaptability
- Initiative
- Stress tolerance.

2.26 Exchange of Defective Products

The exchange process of defective products enables you to execute recall actions between the manufacturer and the customer, for defective parts of an object to be exchanged with service parts. An object is a special product, for example, a car or a computer. You use this process to offer your customer a defined list of service parts and the maximum permitted quantities for each object.

Example: You execute a recall action due to a high number of warranty claims and complaints received for laptops with serial numbers ranging from 1000 to 2000. Defective hard disks need to be replaced. To avoid further complaints, you inform your customer about the exchange of the defective hard disks. The customer orders the new hard disks from you, and has them delivered free of charge in exchange for the defective ones.

Prerequisites

In Customizing for Customer Relationship Management, you have made the following settings:

- To use reference objects and enter the product IDs of the objects in the service recall order, you have created a subject profile with subject profile category Y Individual Object (Sales Order).
- You have created a separate transaction type for service recall processing, and have assigned this subject profile to it under External Reference Objects.

Process

The manufacturer runs product analyses, and discovers that repeated complaints point to a defective part as the cause of a problem. These defective parts have to be exchanged for new parts. To solve the problem, the defective part has to be exchanged in all objects in which it was fitted.

To guarantee delivery of the service parts, you create a sales order template. The sales order template contains a list of the parts to be exchanged, and the required quantity for each object. Use transaction type SALT, provided in the standard delivery, as a template.

Customers are notified via a product service letter. For this, you create a product service letter and first enter a list of customers affected that should be notified of the recall campaign (Target Groups assignment block). In addition, the product service letter contains the list of objects affected by the recall action, as well as a reference to the sales order template that lists the products, with the corresponding quantities that should be exchanged for an object. The product service letter contains details about the following:

- Validity area
- Status of the document
- Target group
- Product IDs of the affected objects
- Link to the sales order template

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CASE STUDY: Delivering a Superior Customer Experience

The reputation of a business may be affected by what its customers think and say about its products or services. This is driven by the experience of customers when dealing with the business. High quality customer service will encourage customers to become regular or repeat users or purchasers. On the other hand, a poor customer experience may damage a business through loss of consumer confidence.

TNT was founded in Australia in 1946 by Ken Thomas with a single truck. Today, TNT is a global business and the market leader in business-to-business (B2B) express delivery services, delivering up to 150 million items per year. It has the largest individual share of the national market and employs over 10,000 people across the UK and Ireland. TNT operates in the tertiary (or service) sector of the economy which provides widely varying services to other businesses and to consumers. The tertiary sector is the largest sector of the UK economy, ahead of the primary (extraction) and secondary (manufacturing) sectors.

The Customer Promise

In 2008 TNT recognised that the increasing expectations of customers meant the business had to make major changes to ensure it could meet their needs. In-depth research showed that customer satisfaction depended not just on the process of delivering the service, but also on how the service was carried out. This resulted in TNT adopting a core strategy focused on delivering a quality customer experience. It developed a two-year programme to implement and communicate its Customer Promise to employees and customers.

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In order to achieve the levels of process innovation and continuous improvement that the customer focus strategy required, TNT also needed to ensure that the capabilities of its people were aligned to this, particularly in delivering a high quality customer experience. A review of new employees to the company showed that only 10% held qualifications above QCF (Qualifications and Credit Framework) level 2, compared to the industry norm of 52% (as identified by Skills for Logistics Research).

Source: http://businesscasestudies.co.uk/tnt/delivering-a-superior-customer-experience

2.27 Loyalty Programs for a Store

Loyalty programs are structured marketing efforts that reward, and therefore encourage, loyal buying behaviour – behaviour which is potentially beneficial to the firm.

A customer loyalty program is a structured and long-term marketing effort which provides incentives to repeat customers who demonstrate loyal buying behaviour.

Successful programs are designed to motivate customers in a business's target market to return often, make frequent purchases, and shun competitors. In retailing, these programs generally reward loyal customers with discounts, special offers, rebates, points, or prizes.

It seems that virtually every retailer tries to reward loyal customers these days. The number of such programs at places like Target, Cub Foods and Best Buy has soared over the past decade. And most shoppers eagerly sign up for the programs, looking to save money wherever and whenever they can.

"Loyalty programs have retained customers," he said. "It's a way of recognizing valuable consumers, and providing them with more value and greater benefit for shopping with your store." Companies certainly covet the data they can harvest from loyalty programs, using it to better understand customers and refine marketing and sales efforts. "The whole point is to connect with your customers, and make you the first choice and top of mind."

By presenting the card, the purchaser is typically entitled to either a discount on the current purchase, or an allotment of points that can be used for future purchases. Hence, the card is the visible means of implementing a type of what economists call a two-part tariff.

Application forms usually entail agreements by the store concerning customer privacy, typically non-disclosure (by the store) of non-aggregate data about customers. The store uses aggregate data internally (and sometimes externally) as part of its marketing research. These cards can be used to determine, for example, a given customer's favourite brand of beer, or whether he or she is a vegetarian.

Where a customer has provided sufficient identifying information, the loyalty card may also be used to access such information to expedite verification during receipt of

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cheques or dispensing of medical prescription preparations, or for other membership privileges (e.g., access to a club lounge in airports, using a frequent flyer card).

On-line loyalty programs: Recently, there has been a move away from traditional magnetic card, stamp or punchcard based schemes to online loyalty programs. While these schemes vary, the common element is a push towards eradication of a traditional card, in favour of an electronic equivalent. The choice of medium is often a QR code. One prominent example is the US-based Punchd, which became part of Google in 2011. Others; like MazeCard, have offered similar programs in other continents.

Disloyalty cards: In three cities, some independent coffee shops have set up experimental 'disloyalty card' programs, which reward customers for visiting a variety of coffee shops.

Criticism

Companies complain that these loyalty program discount goods to people that are buying their goods anyway, and that the expense of doing these programs rarely pays. Other critics see the lower prices and rewards as bribes to manipulate customer loyalty and purchasing decisions, or in the case of infrequent-spenders, a means of subsidizing frequent-spenders. Commercial use of the personal data collected as part of the programmes has the potential for abuse. It is highly likely that consumer purchases are tracked and analyzed towards more efficient marketing and advertising; in fact, this can be one of the purposes of the loyalty card. To some, participating in a loyalty program (even with a fake or anonymous card) funds activities that violate privacy. There has also been concern expressed regarding RFID technology being introduced to loyalty cards.

Loyalty and credit-card reward plans may be viewable as modern-day examples of a kickback. An employee who needs to buy something (such as a hotel room or an airline flight) for a business trip, but who has discretion to decide which airline or hotel chain to use, has an incentive to choose the payment method that provides the most credit card rewards or loyalty points, instead of minimizing cost for the organization.

CASE STUDY: The Importance of Customer Service

Introduction

Customer service is the whole activity of identifying customer needs in all their complexity, satisfying them fully, and keeping them satisfied. Customers are people who buy products and services from other people (usually companies of one sort or another).

This Case Study shows how Homebase, one of this country's best known retail chains, places customer service at the heart of its values, demonstrating practical examples of how customer service can be applied to the benefit of shoppers.

Homebase became part of Argos Retail Group (ARG) in November 2002. Homebase is No. 2 DIY retailer in the UK. It serves 1.5 million customers weekly in nearly 300 stores countrywide. For more than two decades, consumers – and businesses – have trusted Argos and Homebase to provide consistently top-quality products at competitive prices.

Today, Homebase offers more than DIY; it is a contemporary home and lifestyle store. Customers can choose from thousands of products. There is everything you would expect and more – for example, practical yet stylish furniture and exclusive, designer-led product lines such as the Linda Barker range of bed linen and wallpapers.

The acquisition of Homebase was an important step for ARG as part of an overall strategy of growing the business, including building up a bigger customer base through customer service.

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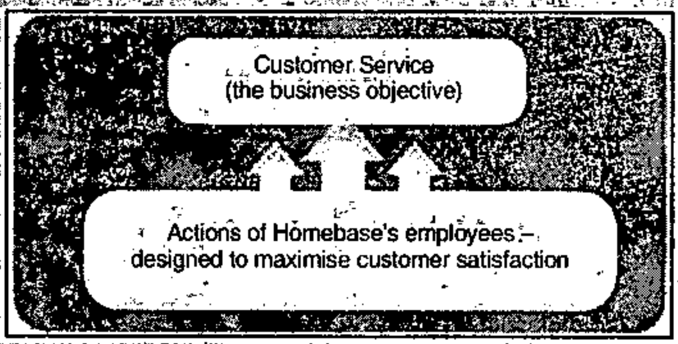
Culture

The culture of an organisation is the way that its people behave. For example, when you enter a Homebase store you should immediately be able to get a feel for this culture because the people who work there as they create a warm and friendly atmosphere. This is not surprising because Homebase has deliberately created a customer focused culture.



The culture of an organisation is strongly influenced by senior managers. The culture developed, is shaped by their attitudes and the systems and patterns of behaviour that they encourage. When ARG took over Homebase it focussed on developing a senior management team with the capability to deliver a customer facing culture.

Homebase's business objectives place great importance on providing customer service. The actions of staff are then aligned (put into line) with meeting this objective by providing customers with the best possible shopping experience.

An organisation needs to set out and communicate a set of values for its people, so they know what to do and how to act. Homebase's values are:

- We put the customer first.
- We succeed through teamwork.

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- We make it easy.
- I make a difference.

Such values provide clear guidelines, which give basic operating principles for the way in which Homebase people can and should behave.

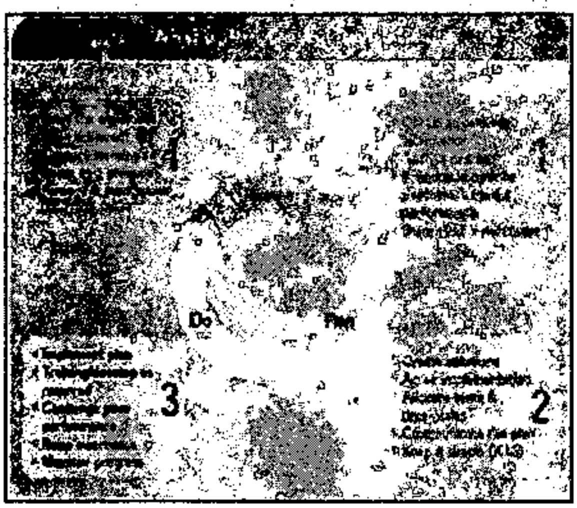
The values are also highly motivating because they place a strong emphasis on teamwork and the role that individuals play in teams. This is demonstrated by the Homebase Retail Staff Award and the Homebase Recognition Award – see sections 04 and 05 for more details.

Homebase gives further guidance to its employees on appropriate behaviour, by setting out the following guidance in so called 'Buzz sessions' (teamwork training sessions):

- The customer is our No. 1 priority.
- Look after our customers and they will look after us.
- Everything we do must benefit the customer.
- Treat customers as you would expect to be treated yourself.
- Listen to our customers and go the extra mile.
- We never want any customer to have a wasted journey.

Building an Improvement Strategy

An organisation's strategy is the plan to achieve desired objectives. A continuous improvement strategy is one that involves constantly seeking to make improvements, however small.



The organisation that continually makes improvements keeps ahead of its rivals. Homebase emphasises continuous improvement – seeking to identify and then deliver new and better ways of meeting customer needs. The review/plan/do approach is used at every level in the Homebase organisation.

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The review stage involves looking at current performance, identifying what the organisation and its people need to keep doing and what needs to be changed.

The 'planning stage' involves first being clear about what should be achieved and then organising thoughts, actions and people. Planning is systematic rather than a random process and must be fitted into a clear time frame.

Finally, the 'do stage', involves carrying out the plan. The skills of the organisation and its people must be organised to make each part of the plan work. Once the plan is being implemented it is possible to carry out further review stages – creating a further improvement cycle.

The next stage of review therefore is to:

- compare what was achieved (results) against the plan
- decide what the organisation and its people would do again/not do/do differently
- include these decisions in future plans

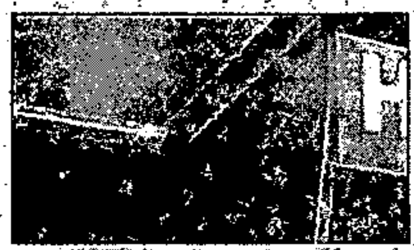
The review/plan/do cycle helps Homebase to achieve results and drives continuous improvement. It embeds the values of the organisation in every one of its stores. It is important to have a clear sense of direction. Time spent in planning is time well spent. Reviewing is important, if ongoing improvements are to be made.

The Importance of Customer Service Research

Homebase places much emphasis on customer service. To improve this, it is essential to have a clear picture of what customers expect. There are two main types of customer research.

Quantitative Research

This involves collecting information from an appropriate sample of shoppers to find out what their views are about Homebase and the customer service that it offers. An important source is a postal survey which Homebase conducts amongst a sample of Spend and Save loyalty card holders. This is done three times a year to gauge satisfaction with, and loyalty to, Homebase.



The survey allows Homebase to monitor satisfaction over time and highlight any areas that may be causing customers problems. Homebase is then able to analyse the frequency of problems relating to store customer service, and other details such as product range and delivery service.

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Qualitative Research

This typically involves smaller scale research about values and views rather than hard facts. For example, qualitative research involves interviewing small groups of customers to find out what their views are of customer service at Homebase.

Another, important approach which uses both qualitative and quantitative analysis is the Mystery Shopping Programme. Homebase conducts a monthly programme of mystery shopping. All stores are measured on three key areas.

1. **Store standards:** Presentation of the store and its staff.
   - Is the store well maintained?
   - Does the store make it easy for customers to shop?
   - Is sufficient staff available to help?
   - Is the staff approachable?
2. **Enquiry service:** Are colleagues offering the right level of service to customers if they have a query?
   - Do staff members greet customers?
   - Do they take customers to the relevant aisle?
   - Do they stay with customers until they have what they need?
3. **Goodbye and lasting impressions:** Do customers leave with a strong impression?
   - Are sufficient tills open to fulfill demand?
   - Are customers greeted in a friendly manner?
   - Is the transaction processed smoothly?

The Mystery Shopping Programme is a key tool for stores to use to improve the service they offer to customers. Scores achieved by a store also act as the trigger for the Homebase Retail Staff Award, a quarterly bonus scheme paid to store staff achieving certain criteria. Additionally, they count towards the management annual bonus scheme.

Using a range of research tools to find out about customer satisfaction is important to Homebase. For example, different Mystery Shoppers will visit stores over a period of time and the results will be compared. In addition, the results of customer surveys can be compared and contrasted with the results provided by Mystery Shopper Reports.

Empowering Staff to Plan and do

Empowerment is the process of giving greater responsibility to everyone that works for an organisation – it literally means giving power to make decisions. Empowering members of an organisation is a tremendous motivational tool because they feel that they are contributing, through their own initiative, to improving performance and achieving better results.

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Homebase employs a teamwork approach in which everyone counts and adds value to their team. All employees are given an opportunity to voice their ideas and opinions. At Homebase employees are organised into teams with a team leader. Team meetings are held on a regular basis called 'huddles'. Huddles frequently involve team building exercises and fun activities such as quizzes and competitions (such as trolley dashes to locate stock in a store).

In addition, the huddle is a way of encouraging everyone to contribute to developing ideas for improving processes within the business. For example, the team leader may identify an area of weakness that has come to light as a result of a visit by a Mystery Shopper or from the customer satisfaction survey. The team leader might read out comment cards or relay verbal comments. Individuals are then invited to suggest ways of improving customer service in the coming week. Team members are encouraged to suggest ideas for a range of ways to improve business such as how to improve sales, and general processes.

Senior managers at Homebase recognise the importance of empowerment because grassroots employees are best placed to understand and be able to respond to the needs of customers at a local level – for example by being able to cater for regional differences. Empowering staff involves encouraging employees to make appropriate 'on-the-spot' decisions such as offering to help a customer take and unload a trolley of goods to their car, or replacing product labels on products when they are missing (without having to wait to be told what to do).

The general philosophy of Homebase's teamwork approach for employees is called 'I make a difference' and is that they should:

- take personal responsibility
- have a 'can do attitude'
- if something isn't right, do something about it – don't leave it to someone else, confidently own every situation and deal with it
- give praise and recognise everyone's contribution

In addition staff may receive one of the Homebase Recognition Awards. These are awarded to staff for going above and beyond the call of duty in delivering customer service and living the values, the awards are bronze – star, silver – hero and gold – legend, which is the ultimate achievement with only 16 gold awards across the entire company, each award winner receives a certificate, limited edition pin badges and leisure vouchers which can be used in a variety of outlets.

Empowered employees have much higher levels of motivation, they enjoy their work, and their loyalty to and pride in Homebase is enhanced. Highly motivated employees in turn will help the organisation to achieve its objective of putting the customer first.

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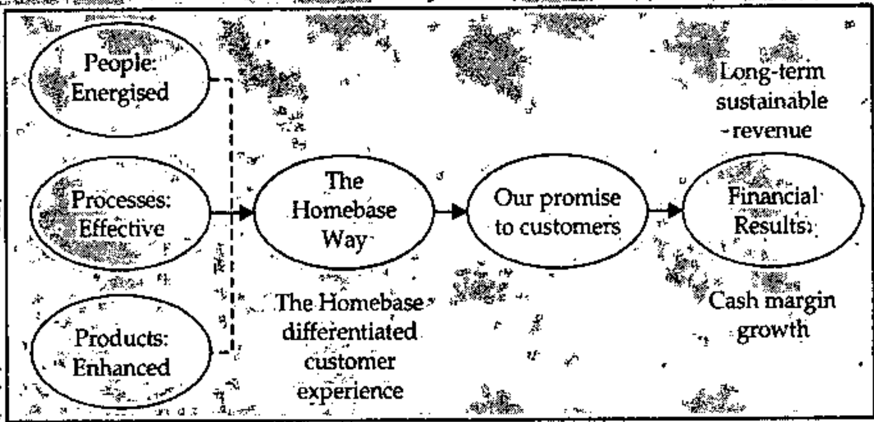

Of course, as a business, Homebase is best place to create the high financial returns that shareholders in a company are looking for. This inter-relationship between people, processes and products to the benefit of the customer is illustrated by the Homebase Roadmap.

Conclusion

Homebase is committed to customer service. Customer service lies at the heart of our modern economy because we increasingly make choices on the basis of how we are served.

Excellence in customer service can only be fully achieved by having an organisational culture and value system which places the customer at the heart of everything that an organisation and its people do.

Homebase has embedded this culture of customer service by giving high priority to a customer service emphasis from top management right down to the operational team level. At the heart of a continuous improvement cycle is the review/plan/do cycle which provides a tool for improving customer service at every level within the organisation.

Questions:

1. Analyze the case and interpret it.
2. Write down the case fact.
3. What do you conclude from it?

Source: http://businesscasestudies.co.uk/homebase/the-importance-of-customer-service

2.28 Summary

Notes

The retail industry in India is on a growth trajectory. However, as it enters the 'mature' phase, structure related issues will emerge, just as they did in the developed economies. The future landscape of Indian retailing should consider issues of high provision and market saturation, as well as concentration aspects, which can lead to certain debilitating factors. These factors include demise of independent retailers, price cartels and lack of innovation. New technology adoption by retailers has led to optimization, thus leading to cost cutting.

The different approaches to classifying a retail business point to the complexity of the retailing industry which includes many variations of store-based and non-store-based forms of retailing, different forms of ownership and varying degrees to which retailers offer specialization in their product ranges, was discussed in great detail in this unit.

Virtually every enterprise finds it necessary to hold 'stocks' (or 'inventory') of various items and materials. Store managers are responsible for meeting their region's sales and profit goals each year. In order to meet their sales and profit targets, store managers sometimes develop local marketing and promotional plans to increase business.

A store manager's duties almost always includes overseeing the various departments in the store, including inventory management and ordering. A store manager's duties also include overseeing the interviewing, selection and hiring of all new employees. The store manager is responsible for ensuring that all employees paperwork or hours are approved so that people can get paid. The employee recruitment process is one of the most critical aspects of running a successful business.

The art of recruiting and selecting good employees is one that takes an organizational commitment by the company. Performance standards describe what you want workers in a particular job to accomplish and how you want the job done. Effective reward systems include all forms of monetary compensation plus a wide variety of other motivators that are important to people in a work setting.

The customer service job description gives you a good understanding of the tasks, responsibilities and skills involved in customer service work. Although customer service jobs vary according to sector, the company and the level of the position the fundamental job requirements remain constant.

The exchange process of defective products enables you to execute recall actions between the manufacturer and the customer, for defective parts of an object to be exchanged with service parts. An object is a special product, for example, a car or a computer. You use this process to offer your customer a defined list of service parts and the maximum permitted quantities for each object. The manufacturer runs product analyses, and discovers that repeated complaints point to a defective part as the cause of a problem. Customers are notified via a product service letter.

Notes

Loyalty programs are structured marketing efforts that reward, and therefore encourage, loyal buying behaviour – behaviour which is potentially beneficial to the firm. A customer loyalty program is a structured and long-term marketing effort which provides incentives to repeat customers who demonstrate loyal buying behaviour. Successful programs are designed to motivate customers in a business's target market to return often, make frequent purchases, and shun competitors. In retailing, these programs generally reward loyal customers with discounts, special offers, rebates, points, or prizes.

2.29 Keywords

- **Job Description:** A general statement of job duties and responsibilities.
- **Performance Standards:** Performance standards describe what you want workers in a particular job to accomplish and how you want the job to be done.
- **Recruitment Timeline:** Schedule outlining the recruitment steps and timeline required to complete each phase of the recruitment process.
- **Customer service:** Customer service is the provision of service to customers before, during and after a purchase.
- **Loyalty:** Loyalty is faithfulness or the devotion to a person, country, group, or cause.
- **On-line loyalty programs:** These schemes vary; the common element is a push toward eradication of a traditional card, in favour of an electronic equivalent. The choice of medium is often a QR code.

2.30 Review Questions

1. Discuss how the working age population, the perceived 'demographic dividend' will drive Indian retailing in future.
2. How does concentration lead to 'lack of innovation'? Discuss using Indian examples.
3. Why is physical shopping more interesting than online shopping? Will future generations have a different view?
4. Compare and contrast the various kinds of retail ownership?
5. Is the demise of independent retailer, imminent? Or a few can have survival strategy. Discuss.
6. Which are fast emerging Retail Conglomerates in India? Do you think they will break-even in near future?
7. Differentiate between supermarket, super-store and hypermarkets?
8. Write a short note on Technology based Retailing.
9. Describe about Store Management Responsibilities.
10. Explain about Recruiting and Selecting Employees.

11. Discuss about Recruiting and Selecting of Employees.
12. Write about motivating and managing store employees.
13. Explain the meaning of Evaluating store employees and providing feedback.
14. Explain about compensating and rewarding store Employees. How you can track Employees Performance? Explain.
15. Discuss about Sales and Profitability in Retail Stores Management.
16. Discuss about Store Operations.
17. Describe about Customer Service in Stores Management.
18. Define Customer Service job description?
19. What are the contents of Customer Service job description?
20. What are defective products?
21. How are defective products produced?
22. Discuss the exchange of defective products.
23. What is meant by loyalty of a product?
24. Describe loyalty programs for a store.
25. What is customer loyalty program?
26. What is online loyalty program?
27. Discuss the importance of Customer Service Research.

Notes

2.31 Further Readings

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UNIT–3

Notes

Store Planning

(Structure)

3.1 Learning Objectives
3.2 Introduction
3.3 Retail Image Mix
3.4 Space Floor Management
3.5 Retail Operations
3.6 Functions of a Retailer
3.7 Stores Organization
3.8 Selection of Right Location
3.9 Store Layouts
3.10 Types of Store Layouts
3.11 Store Design
3.12 Store Space Management
3.13 Skill of Managing Space
3.14 Space Planning Concept
3.15 Return on Space
3.16 Maintenance of Space
3.17 Retail Performance Measures
3.18 Summary
3.19 Keywords
3.20 Review Questions
3.21 Further Reading

3.1 Learning Objectives

After studying the chapter, students will be able to:

- Have an overview of retail operations
- Discuss the essence of retail business
- Specify functions of a retailer

- Discuss for stores organization
- Describe store location and its need
- Explain selection of a right location
- Define the term Store Layout
- Discuss Different Types of Store Layouts
- Describe the Concept of Store Design
- Specify Various Forms of Store Design
- Differentiate between Exterior and Interior Store Designs
- How to optimally utilize the retail store space
- Explain various issues relating to maintenance of store space

Notes

3.2 Introduction

Retailing is the latest buzzword among the business. It is evolving into a global, high-tech business and occupies a pre-eminent position in the economics of all modern societies. Retailing today is at an interesting crossroad. Town with lower income and higher employment trends would give rise to fragmentation of the retail universe resulting in a large number of small outlets. For example: Bombay, Calcutta, Chennai, Hyderabad, and Visakhapatnam.

The growth of retailing in most countries the world over is synonymous with the growth of the information technology sector in that country, as no retailer can do justice to his business or to his customers unless he is able to collect and analyze the vast amount of data available to him. Retailers usually deal with very large volumes of data as thousands of suppliers, which are finally purchased by thousands of customers as well by enabling the retailer to keep track of all this information and to analyze the reports that emergence from such data. The concept of retailing however, is still under-development in India, with emphasis only being laid on distribution. The Indian retail market is quite large but highly fragmented, comprising very few large retailers.

In this unit, we will have an overview of retail operations. We will also focus on stores organization, selection of right location.

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. Each floor plan and store layout will depend on the type of products sold, the building location and how much the business can afford to put into the overall store design. Store design has always been used to reinforce other elements of a retail strategy.

It comprises ceiling, walls, flooring and lighting, but instead of furniture retail outlet houses fixtures for the presentation of merchandise, and fittings for equipment

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such as tills. In choosing the materials used for the interior, retailers have to consider the type of product being sold, costs, store traffic and health and safety. The contribution of these parts of a store's exterior to an overall design can vary in importance according to the type of store format and the products on offer.

In this unit, we will discuss the meaning of store layout and design. We will also focus on different types of store layouts and designs.

As a regular shopper you must have visited a number of shopping malls and shopping complexes in your location and understood the strategic importance of atmospherics and Retail Space Management which is vital for any form of retail business. Its significance emerges from the link between shopping behaviour and physical environmental factors. These physical environmental factors influence the perception of shopping duration spent and the evaluation of merchandise and hence, it becomes important for the retailer to effectively plan and organise all the aspects related to atmospherics and retail space to be able to optimise scarce resources and improve profitability. Atmospherics refers to the physical characteristics associated with the store that includes interior and exterior elements, as well as layout planning and display. Atmospherics plays a major role in attracting customers to the store, improving the quality of service experience, creating a brand positioning for the outlet, and improving customer retention rates.

Getting the accurate blend of merchandise and maximizing efficiency with assortments tailored to local preferences and each store's physical layout are challenging for any retailer. For regional chains competing with global giants, they are vital.

Successful retail establishes with categorize the accurate position and creating the ideal occupant mix to go well with a meticulous target market, and this is a dynamic environment that we comprehend. Whether it's at concept stage or a fully-functioning shopping centre, the aim of the retailer is to adjoin significance each step of the technique.

Once a retailer decides what to buy from vendors and how much of it to allocate to specific stores, someone needs to decide where in the stores the products will sit. This is a very important step in retail since store layouts are crucial to the shopping experience. Products need to be easy to locate, near related products, and have the correct facings. Should this product be on the endcap? Should it be at eye level? Should it have 8 facings or 10? Space management is about maximizing every inch of the selling floor

The objective of the retailer is to house, display and sell products and services and realize a return on investment. Two fields that are essential for developing a retail environment are marketing and design. From the marketing field, we use sub-related fields such as consumer behavior, communications, the marketing mix and strategy. The design field is concerned with translating the marketing strategy into a three dimensional form, which takes into account all the other factors, such as function, merchandise,

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operations, service and image and is in essence a communication medium between buyer and seller. Ultimately, it is all these factors brought together in an integrative and supportive manner that will result in the final retail concept and its success.

The success of a retail concept will also heavily depend on the training of staff on an ongoing basis, and manuals to describe how to utilize the concept. It is also dependant on a team of people, such as suppliers, advertising agency, and other professionals and so on. The concept should take into account historic data, current market realities and prediction about the future consumer and retail business environment.

A retail concept should be far more than mere whimsical aesthetic considerations. It also needs to be innovative and cost effective, flexible and oriented towards the target market. More importantly, it also needs to differentiate itself from the competition so that customers would prefer shopping there rather than elsewhere. The concept should not just be a look but a complete experience. To this end sign age and graphic communications and visual merchandising are key elements for consideration. Goods and services need to be presented in a way as to increase the average consumer transaction.

Apart from it there are certain Retail Space Management software which uses influential automation, optimization, graphics, workflow and analytics in an easy-to use solution to foster enhanced decisions more rapidly. It aids teamwork across well designed groups, allows management greater visibility into imperative business metrics and improves group effort with vendor partners.

Thus we had observed that presently like a long-lasting soap opera, it has been unfolding for approximately a year. Each episode brings a new expansion. The Indian public has been tour it up in right intense. And a quiet revolution is brewing in the Indian retail space.

3.3 Retail Image Mix

Retail Image refers to how a retailer is perceived by customers and others. To succeed, a retailer must communicate a distinctive, clear, and consistent image. Image refers to how a retailer is perceived by customers and others, and positioning refers to how a firm devises its strategy so as to project an image relative to its retail category and its competitors— and to elicit a positive consumer response. To succeed, a retailer must communicate a distinctive, clear, and consistent image. Once its image is established in consumers' minds, a retailer is placed in a niche relative to competitors Retail store image is combination of factors which sets that store apart from its competitors

Elements of Retail Image

- **Store Atmosphere:** A retailer's image depends heavily on its "atmosphere," the psychological feeling a customer gets when visiting that retailer. It is

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the personality of a store, catalog, vending machine, or Store atmosphere (atmospherics) can be divided into these key elements: exterior, general interior, store layout, and displays Web site. Atmosphere created by Retailers Exterior General Interior Store Layout Interior display .

- **Community Relations :** The way retailers interact with the communities around them can have a significant impact on both their image and performance. Their stature can be enhanced by engaging in such community oriented actions as these:
  - Making sure that stores are barrier-free for disabled shoppers and strictly enforcing handicapped parking rules
  - Showing a concern for the environment by recycling trash and cleaning streets
  - Supporting charities and noting that support at the company Web site
  - Participating in antidrug programs
  - Employing area residents
  - Running special sales for senior citizens and other groups
  - Sponsoring Little League and other youth activities
  - Cooperating with neighborhood planning groups
  - Donating money and/or equipment to schools.
  - Carefully checking IDs for purchases with age minimum
- **Advertising In Retail:** Advertising is paid, non- personal communication transmitted through out-of- store mass media by an identified sponsor. There are different types of advertising . Advertising content Pioneer Message Competitive message Reminder Message Institutional Message Nature of Payment Cooperative Advertising Vertical Horizontal Full payment by retailer PUBLIC RELATIONS : Public relations entail any communication that fosters a favorable image for the retailer among its publics (consumers, investors, government, channel members, employees, and the general public). It may be non-personal or personal, paid or nonpaid, and sponsor controlled or not controlled.
- **Sales Promotion :** Sales promotion encompasses the paid communication activities other than advertising, public relations, and personal selling that stimulate consumer purchases and dealer effectiveness. Sales promotion goals are:
  - To increase short-term sales volume
  - To maintain customer loyalty

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- To emphasize novelty
- To complement other promotion tools

- **Personal Selling:** Personal selling involves oral communication with one or more prospective customers for the purpose of making a sale. Retail salespeople include anyone who interacts face-to-face (or via the phone) with the shopper in a way that encourages that shopper to make a purchase. The level of personal selling used by a retailer depends on the image it wants to convey, the products sold, the amount of self-service, and the interest in long-term customer relationships—as well as customer expectations. Retail salespeople may work in a store, visit consumer homes or places of work; engage in telemarketing; or engage in real-time online chat.
- **Retail Positioning:** Retail positioning is a plan of the store's action for how the retailer will enter the target market and will compete with its main competitors. Retail positioning from a retail store's point of view, is a step-by-step plan to create and maintain a unique and everlasting image of the store in the consumers mind. This process reveals the fact that understanding 'what the customer wants' is the success key to retail positioning in the market. Retail positioning is made possible under these circumstances:
  - By differentiation of the store's merchandise from that its competitors.
  - By offering a high level of service after sales at nominal cost
  - By adopting low pricing policies.

Types of Positioning

- **Mass Merchandising:** Mass merchandising is a positioning approach whereby retailers offer a discount or value-oriented image, a wide and/or deep merchandise selection, and large store facilities.
- **Niche Retailing:** In niche retailing, retailers identify specific customer segments and deploy unique strategies to address the desires of those segments rather than the mass market. Niching creates a high level of loyalty and shields retailers from more conventional competitors
- **Customer Service:** Many stores differentiate their retail offerings, build customer loyalty, and develop sustainable competitive advantages by providing excellent customer service. Customer service provides a strategic advantage because good service can be important to customers, difficult for competitors to duplicate, keeps customers returning to a retailer, and generates positive word-of- mouth communication, which attracts new customers Customer service is all about service quality offered by the retailer and their staff. Customer Service Approaches Personalized service Standardized service Personalized service

requires that service providers tailor their services to meet each customer's personal needs.

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Successful implementation of the personalized service relies on sales associates or the "personalization" offered by the retailer's electronic channel .Standardized service is based on establishing a set of rules and procedures for providing high quality service and ensuring that they get implemented consistently. The effectiveness of standardized services relies mainly on the quality of the retailer's policy, procedures, and store, as well as its website design and layout.

- **Merchandise Management:** Merchandise management is the process by which a retailer attempts to offer the appropriate quantity of the right merchandise, in the right place and at the right time, so that it can meet the company's financial goals. Buyers need to be in touch with and anticipate what customers will want to buy, but this ability to sense market trends is just one skill needed to manage merchandise inventory effectively Merchandise planning processes Forecast category Sales Develop an assortment plan Determine appropriate inventory level and product availability Develop a plan for managing inventory Allocate merchandise for stores Buy merchandise Monitor and evaluate performance and make adjustments.
- **Pricing Strategies:** High/Low Pricing Everyday Low Pricing Retailers using a high/low pricing strategy frequently—often weekly— discount the initial prices for merchandise through sales promotions. However, some customers learn to expect frequent sales and simply wait until the merchandise they want goes on sale and then stock up at the low prices. Many retailers, particularly supermarkets, home improvement centers, and discount stores, have adopted an everyday low- pricing (EDLP) strategy. This strategy emphasizes the continuity of retail prices at a level somewhere between the regular non-sale price and the deep-discount sale price of high/low retailers. Although EDLP retailers embrace their consistent pricing strategy, they occasionally have sales, just not as frequently as their high/low competition.

3.4 Space Floor Management

- Floor space management serves the purpose of a sustainable and efficient use of property, real estate, residential or commercial space. Strategies for optimized real estate management ensure that existing space, for example office space or sales areas can be better used and thus be used more economically.

Objectives of floor space management

The general objectives of floor space management include:

1. Effective work flow

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2. Space that is ample and well utilized
3. Employee comfort and satisfaction
4. Ease of supervision
5. Favourable impression on customers and visitors
6. Ample flexibility for varying needs
7. Balanced capacity of equipment and personnel at each stage in work flow
   Store floor management is concerned with preplanning, planning, staffing, directing, monitoring and control of activities that enhance shop efficiency and analysis. Production/operations activity signifies the process of transformation of materials (inputs) into desired output (product/services).

Production constitutes series of sequential operations to produce a desirable product acceptable to the customers and also meet the requirements of customers with respect to quantity and intended function. Production planning and control is a powerful tool, which helps to achieve the objectives.

Benefits of Floor space Management

Some vital benefits of shop floor management are given below:

- Increased operational efficiency through standardization of operations.
- Reduction in occurrence of errors in work.
- Revealing of loopholes in production or processes.
- Increases productivity of the staff.
- Positive impact on the revenue of a manufacturing business.

3.5 Retail Operations

It is necessary to understand that in the complex world of trade today, retail would include not only goods but also services, which may be provided to the end consumer. In an age where the customer is the king and marketers are focusing on customer delight/ retailing may be redefined as the first point of customer contact.

According to Phillip Kotler, "Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing."

Retailing today is at an interesting crossroads. On the one hand, retail sales are not at their highest point in history. New technologies are improving retail productivity and global retailing possibilities abound. On the other hand retailers face numerous challenges.

3.6 Functions of a Retailer

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

Sorting

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

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

Breaking Bulk

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

Holding Stock

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

Channels of Communication

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

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Transport and Advertising Functions

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

Additional Services

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

Services of a Retailer

A retailer provides a number of services to the customer and to the wholesaler which are discussed below:

1. He provides ready stock of goods and as such he sells and quantity of goods desired by the customers.
2. He keeps a large variety of goods produced by different producers and thereby ensures a wide variety of choice to the customers.
3. He relives the consumers of maintaining large quantity of goods for future period because he himself holds large stock of goods.
4. He develops personal relationship with the customers by giving them credit.
5. He provides free-home delivery service to the customers.
6. He informs the new product to the customers.
7. He makes arrangement for replacement of goods when he receive complaints.
8. He gives valuable market information with regard to taste, fashion and demand for the goods to the wholesaler.
9. The retailer maintains direct contact with the customers and so he relieves the wholesaler with regard to maintenance of direct contact.
10. He helps the wholesaler in getting their goods distributed to the consumer.
11. He is regarded as an important link between the wholesaler and the consumer.
12. He creates demand for the products by displaying the goods to the consumers.

3.7 Stores Organization

An organization is a formal arrangement of roles and ranks put in place to attain some particular objectives. The arrangement of a retail organization depicts the role of employees and the mode in which the organization operates. To outline an effective retail organization structure, managers/owners must describe store objectives, recognize the tasks, categorize the tasks and jobs, and allocate responsibilities and power to different positions, and define the link between them. Organizations can have flat arrangements or vertical (tall) arrangements. A flat organization arrangement has only one or two levels of management, whereas a vertical organization has more than two levels of management. This unit will discuss forms of retail organization and number of organization levels.

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Organization Structures

Most store and catalogue/web operations are likely to have different merchandising and inventory planning organization structures. Some of the aspects that need to be considered, while integrating stores and direct channel organization structures are:

- Need to maintain single or multiple merchandising and inventory management organizations for different sales channels to determine merchandising direction.
- Define relevant performance metrics to evaluate business functions. Manage ownership and accountability for category performance and profitability.
- Ensure that the new organization structure does not impede the flexibility and dynamic responsiveness of the Internet business.

Store management takes care:

13. That the required material is never out of stock.
14. That no material is available in excess that required.
15. To purchase materials on the principle of economic order quantity so that the associated costs can be minimized.
16. To protect stores against damage theft etc. This can be achieved through:
    (i) A proper purchasing practice,
    (ii) An adequate procedure of receipt and issues of materials,
    (iii) Proper methods of storing materials,
    (iv) An effective system of physical control of materials, and
    (v) A proper method of keeping stores record.

Forms of Retail Store Organization

Retail organization structures differ according to the type of retailer and the size of the firm. For example, a retailer with a single store will have an organization structure quite different from a national chain.

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Organization of a Single-Store Retailer: Owner-managers of a single store may be the entire organization. When they go to lunch or go home, the store closes. As sales grow, the owner manager hires employees. Coordinating and controlling employee activities is easier in a small store than in a large chain of stores. The owner-manager simply assigns tasks to each employee and watches to see that these tasks are performed properly. Since the number of employees is limited, single-store retailers have little specialization.

Each employee must perform a wide range of activities, and the owner-manager is responsible for all management tasks.

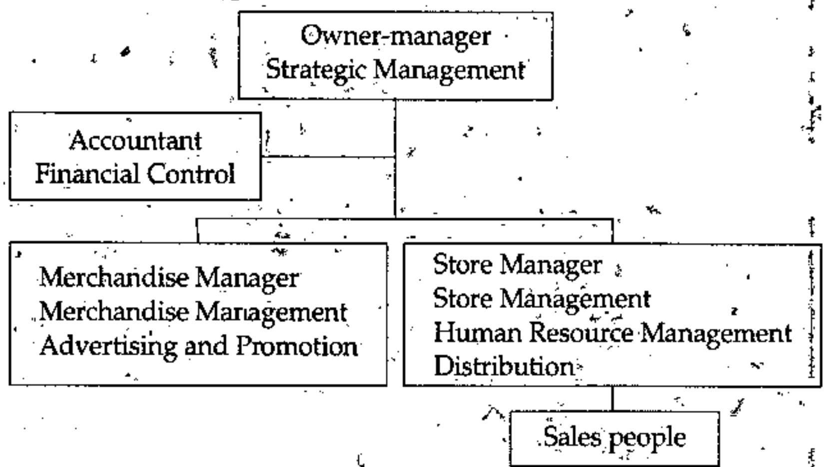

Figure 3.1 Organization Chart of a Small Retailer

Source: Everonn_Retail Management_Exhibit 6.1: Organization Chart of a Small Retailer

As sales increase, specialization in management may occur when the owner manager hires additional management employees. Figure 3.1 illustrates the common division of management responsibilities into merchandise and store management. The owner-manager continues to perform strategic management tasks. The store manager may be responsible for administrative tasks associated with receiving and shipping merchandising and managing the employees. The merchandise manager or buyer may handle the advertising and promotion tasks as well as the merchandise manager or buyer may handle the advertising and promotion tasks as well as the merchandise tasks. Often the owner-manager contracts with an accounting firm to perform financial control tasks for a fee.

Organization of a Regional Department Store: In contrast to the management of a single store, retail chain management is complex. Managers must supervise units that are geographically distant from each other. In this section, we use Rich and owned by Federated Department Stores to illustrate the organization of a large, multi-unit retailer. The Rich Stores merged three regional department store chains. While the store carry the name of the regional chains, there full name of the division, we traditionally, department

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stores were family-owned and managed. Organization of these firms was governed by family circumstances. Executive positions were designed to accommodate family members involved in the business. Then, in 1927, Paul Mazur proposed a functional organization plan that has been adopted by most retailers. The organization structures of retail chains, including Rich management tasks into separate divisions.

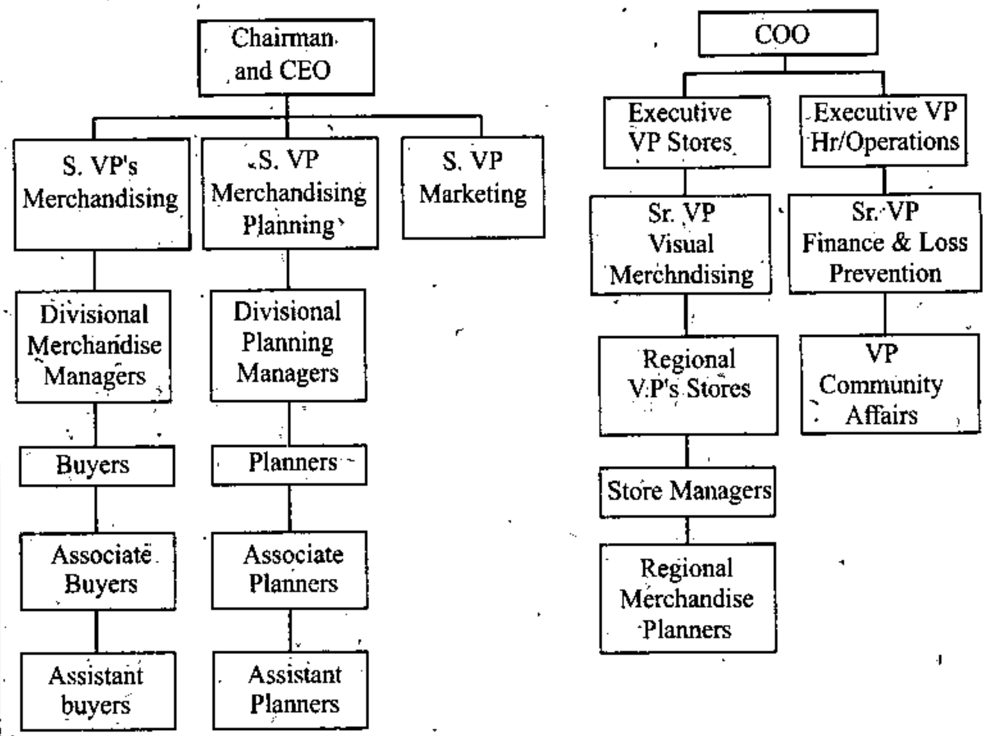

Figure 3.2 Organization of a Regional Department Store Richs

Source: Everonn_ Retail Management _Exhibit 6.2: Organization of a Regional Department Store Rich

Figure 3.2 shows Rich Max have similar organization structures. Vice presidents responsible for administrative tasks, specific merchandise categories, stores, report to the chairperson and president.

In most retail firms, the two senior executives typically called the CEO and COO, work closely together in managing the firm. They are frequently referred to as principles or partners. One member of the partnership is primarily responsible for the operating divisions. In Rich responsible for merchandising and the COO is responsible for operations. However, these responsibilities and employees work at corporate headquarters.

Merchandise Division: The merchandise division is responsible for procuring the merchandise sold in the stores and ensuring that the quality, fissionability, assortment, and pricing of merchandise are consistent with the firm.

Figure 3.2 shows a detailed organization structure of Rich simply a more detailed view of the merchandise categories on the left side of Figure 1.2. Each senior vice president/General Merchandise Manager (GMM) is responsible for specific categories

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of merchandise. GMMs report directly to the chairperson and CEO, the partner in charge of the merchandising activities.

Buyers: Buyers are responsible for procuring merchandise, setting prices and markdowns, and managing inventories for specific merchandise categories. They attend trade and fashion shows and negotiates with vendors on prices, quantities, assortments, delivery dates, and payment terms. In addition, they might specify private-label merchandise or request modifications to tailor the merchandise to the retailer.

Although buyers are given considerable autonomy to 'run their own business', they must adhere to an inventory budget that will vary from season to season. The budget is the result of a negotiation between the buyers and their superiors, divisional merchandise managers.

In recent years, the buyers' role in supermarket chain has evolved into a category manager. Traditional supermarket buyers were vendor focused. For example, they would just be responsible for buying merchandise from a vendor such as Campbell or Kraft. They developed close relationships with vendors and were more concerned with maintaining these vendor relationships than selling products to customers. This focus was partially caused by evaluation systems that rewarded supermarket buyers more for securing price discounts rather than sales, gross margins, and inventory turns.

Category managers are responsible for a set of products that are viewed as substitutes by customers. For example, a category manager might be in charge of all pastas packaged, or canned. Category managers are evaluated on the profitability of their category and these are motivated to eliminated buyers in most other types of retail firms have always been responsible for merchandise categories.

Thus, the term category manager is used primarily by supermarket retailers.

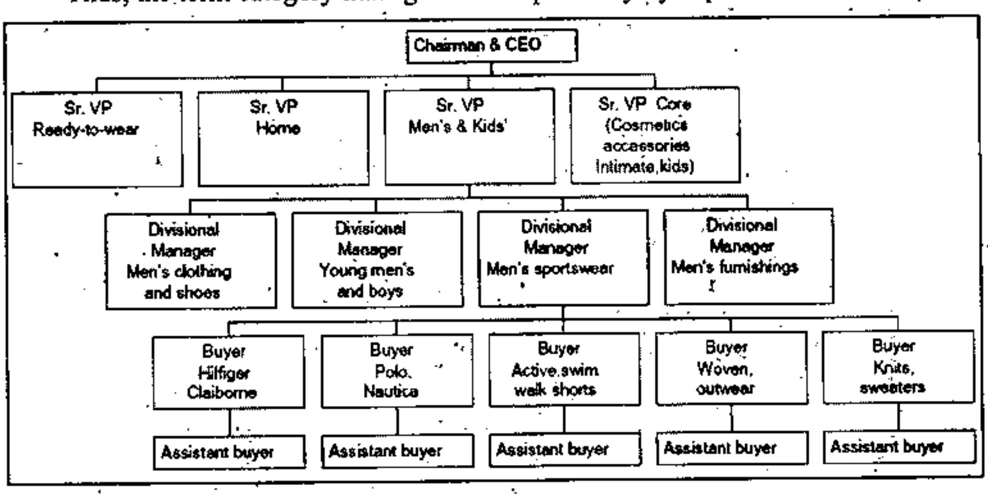

Figure 3.3 Merchandise Division Organization: Richs

Source: Everonn_ Retail Management _Exhibit 6.3: Merchandise Division Organization: Richs

Planners: Traditionally, buyers or category managers were also responsible for determining the assortment stocked in each store, allocating merchandise to the stores, monitoring sales, and placing reorders. Giving this responsibility to buyers meant that the merchandise strategy within a store might not be coordinated. For example, some buyers might allocate more expensive merchandise to a store in high-income areas, but others wouldn't make this adjustment.

Notes

To address these problems, most retail chains created merchandise planners, with a senior VP of planning and distribution, who are at the same level as the merchandise managers in the buying organization. Each merchandising planner is responsible for allocating merchandise and tailoring the assortment in several categories for specific stores in a geographic area. For example, the planner at The Limited would alter the basic assortment of sweaters for the different climates in country.

Stores Division: The stores division is responsible for the group of activities undertaken in stores. Each vice president is in charge of a set of stores. A store manager, often called a general manager, is responsible for activities performed in each store.

Figure 3.4 shows the organization chart of a Rich three assistant store managers reporting to them. The assistant store manager for sales and merchandising manages the sales associated and presentation of the merchandise in the store.

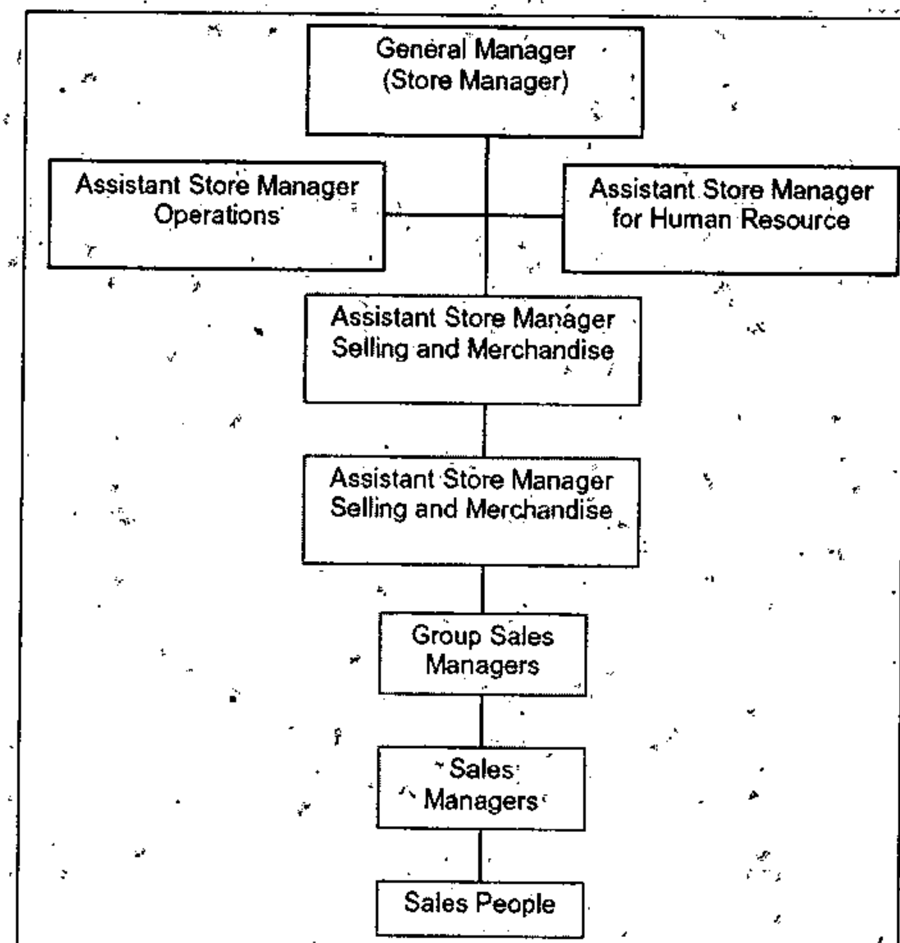

Figure 3.4 Store Organizations: Richs

Source: Everonn_ Retail Management_Exhibit 6.4: Store Organizations: Richs

Notes

The assistant manager for human resources is responsible for selecting, training, and evaluating employees. The assistant store manager for operations is responsible for store maintenance; store security; some customer service activities, such as returns, complaints, and gift wrapping; the receiving, shipping, and storage areas of the store, the general manager may perform the tasks done by an assistant store manager for merchandise.

Group sales managers, sales managers, and the sales people work with customers in specific areas of the store.

Example: A sales manager might be responsible for the entire area in which kitchen appliances, gifts, china, silver, and tableware are sold, while a group sales manager might be responsible for an entire floor of the store.

Corporate Organization of a Regional Department Store Chain

The decisions made at the corporate office involve activities that set strategic directions and increase productivity by coordinating the regional chains management information system and one private and effective than having separate systems and programs in each regional chain.

Corporate Functions Activities performed at the Federated corporate office, rather than at the regional chain level, include:

1. **Corporate (Cincinnati, Ohio):** Support services cover tax, audit, according, cash management and finance, internal audit, planning, insurance, economic forecasting, law, corporate communications, purchasing, store.
2. **Merchandising and Product Development (New York):** This function develops merchandising strategies, coordinates relationships with vendors, designs and sources private-label merchandise, and managers marketing programs for private-brand merchandise. Among Federated Clubroom, Tools of the Trade, Badge, Style & Co., and Alfani.
3. **Financial Administrative and Credit Services Group (Mason, Ohio):** This group provides proprietary credit cards and services for each regional department store chain. Federated has over 58 million credit card holders. The group also is responsible for payroll and benefits processing.
4. **Federated Systems Group (Norcross, Georgia):** This division designs, installs, and manages the information system used by all divisions.
5. **Federated Logistics and Operations (Secaucus, New Jersey):** Logistics coordinates and manages the logistics and distribution function as well as accounts payable, purchasing, store planning, vendor technology, and energy management and expense control.

The History of Federated Department Store Chain

Notes

Federated Department Stores was founded in 1929 as a holding company by several family owned, regional department store chains, including Shillito Bloomingdale Lazarus, founded in 1851 in Columbus, Ohio; and Abraham & Straus, founded in 1865 in New York. Over the next 30 years, Bon Marche (Seattle), Rike Burdens (Miami), and Rich Basement (an off-price retailer) and gold Circle (a full-line discounter) and acquired Ralph West Coast supermarket chain). Each of these chains was operated as an independent division with its own buying office, distribution centre, corporate offices, and human resources policies. While the divisions were profitable, the stock price was low.

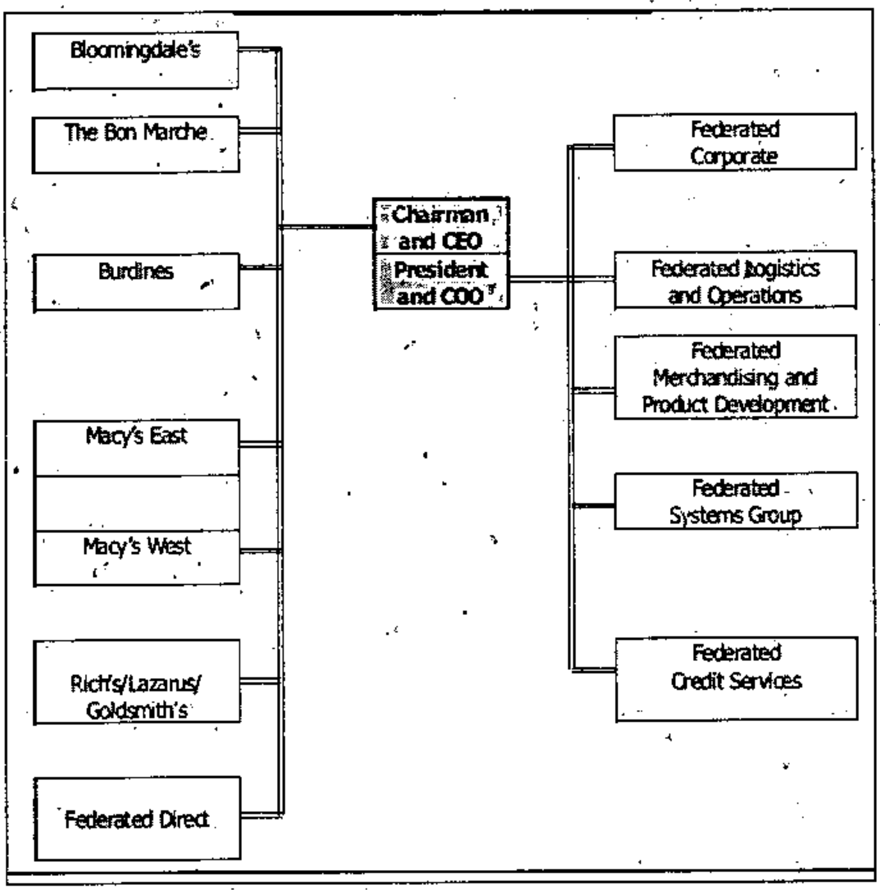

Figure 3.5 Federated Department Store

Source: Everonn_ Retail Management_Exhibit 6.5: Federated Department Store.

CASE STUDY: Retail Conglomerate Companies

In 1986, Robert Campeau, a successful Canadian real estate developer felt that the stock for retail conglomerate companies like Federated was low and he bought Allied, a similar holding company, for $3.5 billion, In April 1988, he bought Federated for $6.6 billion. To finance these acquisitions, he sold off over 25 chains owned by the two holding companies including, Brooks Brothers, Ann Taylor, Ralph costs. However, most of the acquisition was financed by issuing bonds and taking out loans.

Notes

On January 15, 1990, the retail subsidiaries could not pay the interest on the debt and filed for bankruptcy, the largest bankruptcy in US, history at that time.

Under the protection of the bankruptcy court, Federated unprofitable stores, sold divisions unrelated to its core department store activities, and reduced operating costs dramatically by developing information, distribution, and buying systems used by most of the department store divisions. In 1992, Federated emerged from bankruptcy as one of the largest and best managed retail chains. The company has since acquired four department store chains (Hawaii) and Fingerhut, an Internet and catalogue retailer, but it maintains its focus on developing synergies among its department store divisions. Federated appears to have a long-term strategy of operating two national retail chains (Bloomingdale on the price/quality continuum. The Bullock-Jordan Marsh nameplate in 1995 and 1996, and the Liberty House stores were converted in 2001.

Source: Reflections: 2001 Fact Book (Cincinnati, OH: Federated Department Stores, 2000); and personal communications with Carol Sanger, Vice President, Corporate Affairs; Federated Department Stores.

Organization Structures of Other Types of Retailers

Most retail chains have an organization structure very similar to Rich with people in charge of the merchandising, store management, and administrative tasks reporting to the CEO and COO. Only corporations that operate several different chains, such as Target, The Limited, and The Gap, have the overarching corporate structure. Large supermarket chains such as Safeway and Kroger are often organized geographically, like Federated Department Stores, with each region operating as a semi-independent unit having its own merchandise and store management staff.

The primary difference between the organization structure of a department store and other retail formats is the number of people and management levels in the merchandising and store management areas. Many national retailers such as at corporate headquarters and have fewer buyers and management levels in the merchandise group. On the other hand, these national retailers have many more stores than a regional department store chain like Rich have more managers and management levels in the stores division.

Example: One person is responsible for stores and operations at The Gap, in contrast to the five regional chains and one national chain (Bloomingdale Stores organization). But The Gap, with over 1,000 stores, needs more levels of store management (14 zone vice presidents, 18 regional managers, and 195 district managers) than Rich only has 76 stores.

Franchise Stores

Franchising is an agreement between a franchiser and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and supported by the franchiser. These stores can be restaurants, fast food outlets, apparel outlets, sports goods outlets, hypermarkets etc.

Notes

In this kind of an arrangement, generally, franchiser charges franchisee a lumpsum fees towards usage of brand names, retailing expertise plus a royalty and franchisee has to bear all operation cost along with above and as to earn profit. Though in recent times franchiser also underwrites the losses if it occurs to avoid high attrition and motivate franchisee to invest as these kinds of arrangement require high investment. Franchisers support franchisee with merchandise planning, store management, training, manpower sourcing, IT support, interiors and advertising at national and regional level.

This format fuels growth faster as franchiser does not need to block huge capital, employ more people and hold huge stock. This model has helped people with adequate capital but without any technical knowledge to enter into retail trade. In India, UCB, Reebok, Adidas, Lee are examples for this kind of retailing.

3.8 Selection of Right Location

In today's competitive retail environment, sales and market share preservation and growth are critical to survival. It is not surprising then that most successful retailers are constantly engaged in self-evaluation, of which an important component is ongoing assessment of a retailer's store deployment plans. Making better site location decisions for the retail sector is about staying ahead of the competition, entering a new market, or just familiarizing themselves with the new advancements in methods and technology facing their industry today.

Considerations in Layout Selection

Location decision is very important in retailing business because location involves large cost. Customer traffic is also affected by the selection of location, which consequently affects the volume of business. Thus, retailer should understand the importance of location decision in the context of retail business.

Level of Location Decision: There are three aspects of location decision. First, a retailer will have to decide about the city where he wants to starts/shift his retail business. Secondly, he has to select particular area or location within the decided city. And finally he decides the exact site. Within any centre, one specific location will have the highest level of customer traffic.

The selection of a particular city is affected by the following factors:

1. Trading area of the city
2. Retail trade potentiality
3. Population
4. Per Capita Income
5. Distribution of income

Notes

The selection of particular area is affected by the following factors:

1. Direction of development of the city
2. Comparative strength of competitors in that area
3. Planning regulations
4. Availability of easy routes

Factors affecting specific sites include:

1. The relationship of the site to the main area
2. Parking facility
3. Cost of the site
4. The existence of similar or complementary retailers
5. Suitability for the particular business

Standards for Location and Layout of Stores

Following are the desired standards

1. Location of the stores should be carefully decided and planned so as to ensure maximum efficiency.
2. The best location of stores is one that minimizes total handling costs and other cost related to stores operation and at the same time provides the needed protection for stored items and materials.
3. Stores location depends upon the nature and value of the items to be stored and the frequency with which the items are received and issued.
4. In general stores are located close to the points of use. Raw materials are stored near the first operation in process, materials close to the next operation, finished goods near the shipping area and tools and supplies in a location central to the personnel and equipment served.
5. All departments should have easy access to the stores and especially those which require heavy and bulky materials should have stores located nearby.
6. In big industries, having many departments stores, department possibly cannot be situated where it is convenient to deliver materials to all departments and at the same time near the receiving department: thus it is convenient to deliver materials to all departments and at the same time be near the receiving department thus it becomes often necessary to set up sub stores conveniently situated to serve different departments.
7. In decentralized stores systems each section of the industry has separate stores attached with it, whereas in centralized stores system the main store located centrally fulfils the needs for each and every department.

Types of Retail Location

A retailer has to make a decision about the best type of location for its decision. Major classification of retail location is as follows:

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- **Solus Location:** It is also known as freestanding location. If there is no single retail outlet in the vicinity, it is called solus location. Retailers that select solus location want to avoid competition. Rent is also low at this type of location.
- **Planned Shopping Location:** These types of locations are deliberately designed for retail business. Planned shopping centre may be categorized as shopping mall or retail part etc. These have advantage of consistent image for the shopping centre.
- **Unplanned Shopping Location:** Contrary to planned location, unplanned shopping location is characterized by fragmented ownership. It has evolved in a gradual piecemeal manner where two or more retail stores locate together on individual considerations. We may find two or three or more stores for same merchandise.
- **Nature of Metro Development:** Because of automobile-based inter-urban dispersal, the city has evolved into a restructured form called multi-centred metropolis. Classical models cannot accommodate this new reality easily. The rapid spread of urban India owes much to the nature of the radial and circumferential road network, which results in near equal levels of convergence time across the metropolitan area, destroying the region wide advantage of the CBD. Low housing interest rates reinforced the trend towards single-family housing in the suburbs. Intercity neighbourhood redevelopment involves gentrification – property upgrading by high income settlers that frequently results in the displacement of low-income residents. Jobs are moving out with modern technology and development, and so are shopping centres and entertainment. The need for the city, as far as the middle class is concerned, has diminished. Affordable housing is a major problem in today's modern cities, and planned public housing projects have not solved big city problems. The inner city is home to the metropolitan disadvantaged and includes a few specialised services, where suburban and satellite cities house the affluent and support a range of services that were previously city-bound. Local and regional planners increasingly support the notion of increasing the supply of housing in job-rich areas, and the quantity of jobs in housing rich areas. The concept is jobs/housing balance. The suburbs create most new employment opportunities matched to the work skills of inner city residents. This is known as the spatial mismatch theory. Thus, the poor are faced with the problem of either finding work in a

stagnating industrial area, the inner city, or commuting longer distances to keep up with the dispersing job market through reverse commuting. This also has an influence on the location of the retail outlets. The nature of the target segment of the retail outlet therefore determines the location of the outlet.

Notes

Lab Exercise Go to website http://delhimetrorail.info/ and study its route detail with corresponding fair for a specific distance coverage.

- **Locational patterns of cities include:** Transportation cities aligned along transportation routes and at junctions of different types of transportation; specialised function centres that develop around a localised physical resource; uniform pattern of centres, referred to as central places that exchange goods and services with their hinterland. Central-place theory emphasises that cities perform extensive services for their hinterland. Business conducted totally within the hinterland is called settlement-forming trade. Activity that is directed to outside markets is called settlement building trade. Business conducted with residents of the centre is called settlement-serving trade. It should be clear, what is the nature of the store that we have, in order to locate the store accordingly.
- **Development of Central Places:** Central places serve large areas around the city. These areas are called hinterlands, tributary areas, trade or market areas, or urban fields. Areas of Dominant Influence (ADI) also called daily urban systems, is that area that describes the extent of the social, economic, and cultural ties between a city and its tributary region. Newspaper circulation and commuting are conceptually good indicators. People in the tributary area, look in the regional newspaper for information on sales and social events or in the city as an employment location. A good measure for locating outlets is to use this movement of people.

It is possible to order centres and create a hierarchy of central places. Highest order good offered by the centre determines the order of a centre. A central place hierarchy can be regarded as a multiple system of nested centres and market areas.

The large centres are widely spaced while the hamlets are the most numerous. The determination of the size of the retail outlet in a location especially the city implies application of the same concept. As the size of the outlet, increases in the CBD of the city, its primary trading area increases and therefore the number of such outlets are less.

Hierarchy: Space preference structures measure the trade-off between a journey's distance to shop for goods and services, and the town size. The larger the town size, greater the positive mental stimulus, while the increased distance to the town centre is a negative mental stimulus. Rural residents receive a certain payoff to go a certain distance.

Task Comment upon the statement: Town size as a surrogate for the market basket of shopping possibilities that exist there measures the payoff.

Notes

A central place hierarchy of goods and services also exists inside the city. This hierarchy is the retail hierarchy, and urban residents display a similar behaviour to rural residents. Shoppers obtain low order goods from the closest places and higher order goods from higher order centres.

Typically, location models identify as 'best' that new location, which maximises some measures of overall financial performance for the organisation, often the total revenue. In doing so, the model usually allows new locations of the organisation (as long as total revenue is maximised) to cannibalise revenue from old locations. While this poses no problem to the corporate-owned chain, franchise systems are different. A current franchisee would be understandably upset if a new franchisee location cannibalises revenue at his/her, no matter that system-wide revenue increases. From the franchisee's perspective, the lost sales have been pirated away, just as surely as if by a competing system. Therefore, location also plays an important role in determining franchisee site-selection decision.

CASE STUDY: Decentralization within a Book Retailer

Introduction

The largest specialist book retailer in the UK and Ireland is Waterstone's. It has more than 200 branches and employs approximately 4,200 people. Organisations are as individual as nations and societies. Their widely different cultures are reflected in their values, ideals and beliefs. Within Waterstone's, the belief is that each branch is part of the local community. In this context, the buying decisions of each branch should, therefore, directly reflect and respond to local customer demand, which gives each individual branch a sense of identity and local relevance.

Waterstone's is a familiar sight in high streets as well as in airports and on university and college campuses. All branches are tailored to meet the needs of customers in the catchment area and local market. Recent developments include an Internet bookstore, where books can be ordered electronically, and another superstore in Piccadilly that is 56,000 sq. ft. in size.

Vision

Sharing a vision enables everyone within an organisation to think ahead and be part of the plan for the future of that business. The shared purpose within Waterstone's is simple, "To be the world's best loved and most profitable Booksellers". This provides direction for the organisation to form the basis of a strong and vibrant company culture, which positions the customer as key in terms of business priorities.

The complete commitment and support of everyone within the company is required to deliver the kind of service this vision demands. Waterstone's believes people are its most valuable asset. People need to know where the organisation is going and what it is aiming to achieve.

Notes

Decentralisation

Decentralisation is the movement of power and decision-making from the centre outwards to other parts of the organisation. The belief behind decentralisation is that most decisions cannot be taken at the centre but instead must be taken on the spot by people who know the circumstances and customers. Decentralisation provides a radical challenge to the traditional methods of control and influence exerted within an organisation.

Within Waterstone's, decentralisation means that wherever possible, individual branches have the freedom to make their own decisions about how best to serve their customers and manage their part of the business. This case study looks at why Waterstone's chose to decentralise and examines the impact that this has had upon the business.

It examines:

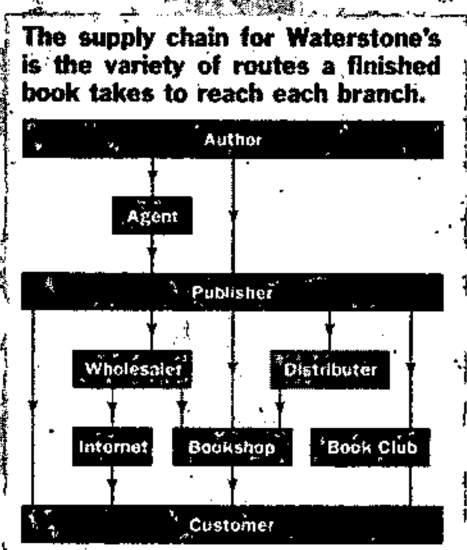
1. Why decentralisation is a key response to the book industry supply chain.

2. The impact of decentralisation on how Waterstone's is structured as well as on how it operates.

3. How decentralisation helps to equip Waterstone's booksellers with the skills and knowledge that the business needs to fulfil its business priorities.

Organizational Structure

A typical retail company will have a hierarchical structure like the one shown. Dependent upon management policies, senior buyers will control the quantity and type of products provided, despite the fact that sales staff is the company's direct point of contact with customers. In this model, communication is one way. Waterstone's decentralization helps to invert this triangle. This method of organisation brines the customer sharply into focus. This means that:



Organization Structure

Notes

1. Customers are at the top of the hierarchy,

2. As local booksellers are the buyers at the front-line of the organisation, they are best placed to respond accurately and immediately to customers' needs,

3. communication between customers and booksellers, who are also the company's buyers, is a two way process. **Questions:**

1. Analyze the case and interpret it.
2. Write down the case fact.
3. What do you conclude from it?

Source: http://businesscasestudies.co.uk/waterstones/decentralisation-within-a-book-retailer/ organisational-structure.html#axzz2I1cBDSCv

3.9 Store Layouts

Store layout is the way, the store or business space that is used to promote sales and to satisfy the customer. Figure 3.6 shows general layout of a retail store.

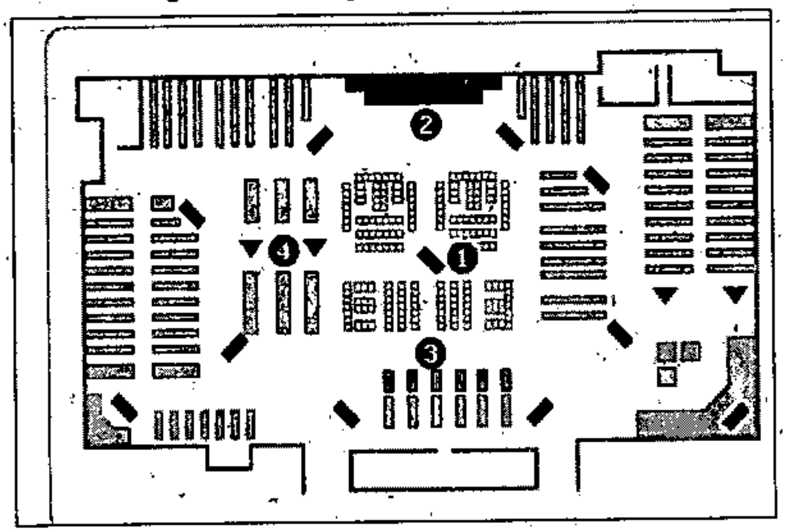


Figure 3.6 Layout of a Retail Store

Source: http://www.redmond.k12.or.us/145520121313341393/lib/145520121313341393/Ch_18_ notes_ONLINE.pdf

A freeform layout is less systemized and can accommodate a wider variety of fixturing. It is also more conducive to browsing. Whilst providing increased flexibility freeform layouts can result in customers feeling 'lost' in a mass of merchandise and fixturing, and so in larger stores the merchandise areas are often broken down by a series of walkways and/or partitions. This helps customers to orientate themselves within the store and allows a certain degree of departmentalization.

Where a retailer has a limited range of merchandise or in situations where a high level of personal selling is required, a number of alternative approaches can be used.

The first is to surround the customer with merchandise; which is sometimes referred to as the boutique layout. Alternatively, the store may be divided up into 'service stations' where a customer and sales person sit down to discuss the purchase, with the merchandise conveniently nearby to refer to. This type of layout is used in personal communications stores such as earphone Warehouse. Another approach is to house the merchandise behind a counter, a technique used in high-value merchandise stores because of the security risk.

As well as exposing customers to as much merchandise as possible, layouts can also make a contribution to the selling process by placing complementary merchandise categories adjacent to one another, and seasonal and impulse product categories near to areas of high footfall.

3.10 Types of Store Layouts

There are a number of different types of layouts commonly found in retail stores. The layout used will be dependent on the width and depth of the product range, the nature of the product categories sold, the type of fixturing used and the constraints of the outlet in terms of size and shape. The objective of a store layout is to maximize the interface between customers and merchandise.

Following are the basic store layouts and circulation plans that all provide a different experience:

1. **Straight plan:** The straight floor plan makes optimum use of the walls, and utilizes the space in the most judicious manner. The straight floor plan creates spaces within the retail store for the customers to move and shop freely. It is one of the commonly implemented store designs.

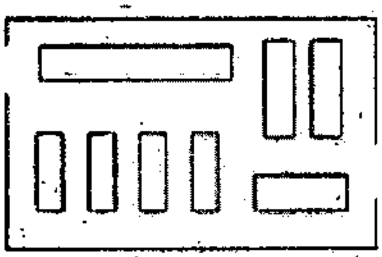


Figure 3.8 Straight Plan

Source: http://www.managementstudyguide.com/store-design-and-layout.htm

This plan divides transitional areas from one part of the store to the other by using walls to display merchandise. It also leads the consumer to the back of the store. This design can be used for a variety of stores ranging from pharmacies to apparel.

2. **Diagonal Plan:** According to the diagonal floor plan, the shelves or racks are kept diagonal to each other for the owner or the store manager to have a watch on the customers. Diagonal floor plan works well in stores where customers have the liberty to walk in and pick up merchandise on their own. It uses perimeter design

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which cause angular traffic flow. The cashier is in a central location and easily accessible. This plan is most suited for self-service retail.

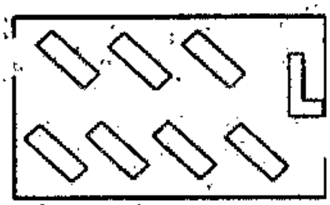

Figure 3.9 Diagonal Plan

Source: http://www.managementstudyguide.com/store-design-and-layout.htm

3. **Curved Plan:** This is also called angular floor plan. The fixtures and walls are given a curved look to add to the style of the store.

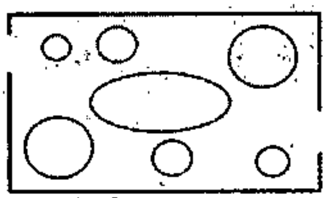

Figure 3.10 Curved Plan

Source: http://www.managementstudyguide.com/store-design-and-layout.htm

Angular floor plan gives a more sophisticated look to the store. Such layouts are often seen in high end stores. It aims to create an intimate environment that is inviting. In this plan there is an emphasis on the structure of the space including the walls, corners and ceiling this is achieved by making the structure curved and is enhance by circular floor fixtures. Although this is a more expensive layout it is more suited to smaller spaces like salons and boutiques.

4. **Varied Plan:** In this plan attention is drawn to special focus areas, as well as having storage areas that line the wall. This is best suited for footwear and jewellery retail stores.

5. **Geometric Plan:** The racks and fixtures are given a geometric shape in such a floor plan. The geometric floor plan gives a trendy and unique look to the store. It uses the racks and the retail floor fixtures to create a geometric floor plan and circulation movement. By lowering parts of the ceiling certain areas can create defined retail spaces. This is well suited for appeal stores.

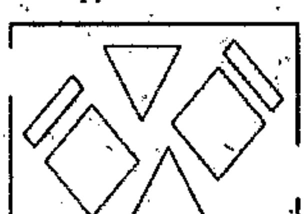

Figure 3.11 Geometric Plan

Source: http://www.managementstudyguide.com/store-design-and-layout.htm

Notes

6. **Mixed plan:** The mixed floor plan takes into consideration angular, diagonal and straight layout to give rise to the most functional store lay out.

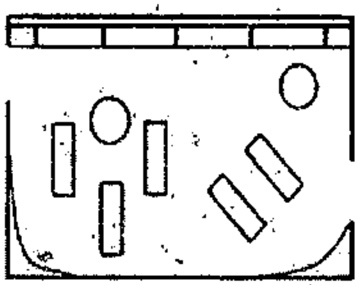

Figure 3.12 Mixed Plan

Source: http://www.managementstudyguide.com/store-design-and-layout.htm

3.11 Store Design

Store designs are fundamental to any store's success. Good store design creates the vital difference in today's competitive marketplace. The exterior of most stores includes the fascia, mentioned above, the store entrance, the architectural features of the building and windows.

CASE STUDY: Store Layout and Design

Store layout and design 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, colours 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

– free form layout.

The interior of a store influences the purchasing behaviour of the customers to a great extent. Designing the interior of a store in such a way as to influence customer behaviour is referred to as visual merchandising. It includes optimum and appropriate u

Notes

se of fixtures, displays, colour, 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, colour presentation, vertical merchandising, tonnage merchandising and frontal presentation.

Source: http://www.icmrindia.org/courseware/Retail%20Management/Store%20Layout-Design Visual%20 Merchandis.htm

Figure 3.13. Store Design

Source: http://www.palaydisplay.com/images/services/elements/photos/1Large.jpg

Store design has always been used to reinforce other elements of a retail strategy. For example, plush carpeting and marble used in a store denotes high-quality merchandise and may suggest a high-price positioning. Strip lighting and dump bins for merchandise brings the word 'bargains' to mind. However, as retail markets mature, the design of retail space is increasingly being used as a means by which strategic aims are reached. For example, in 2001 Safeway introduced a new store design to reinforce their position as a good-value fresh and quality grocery retailer. Wood panelling, slate tiling and pendent lighting were used in the wines and beers section to create the impression of an up-market wine cellar; baskets and barrels were used in the fruit and vegetable section to give the impression of 'market freshness' and chalkboard signage to foster the impression of good prices. It is these small details that help to refocus the attention of the shopper onto revised core values, providing a struggling grocery chain with a new lease of life to compete against other forceful players in the market (Atkinson, 2001).

Design in Non-store Retailing

Although non-store retail formats place some significant restrictions on the use of design in the selling environment, innovative approaches have often paid off as a source of competitive advantage. For example, when NEXT launched their NEXT Directory it was unlike anything customers had previously encountered in the UK home-shopping market. The format was more like a coffee-table book than a catalogue, with hard covers and a much higher proportion of full page spreads than used by other mail-order retailers, and the bold and neutral corporate identity of the stores is clearly reflected in the pages. Early editions even included small swatches of material to allow customers to get a 'feel' for the garments prior to purchase. The catalogue was aimed at a more up-market customer than the typical mail order catalogue profile, with a narrowly targeted, all retailer-branded range of products.

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Physical Materials in store Designing: For store-based retailers a store's physical layout is an important component in creating a retail experience that will attract customers. The physical layout is more than just deciding in what part of the store to locate products. For many retailers designing the right shopping atmosphere (e.g., objects, light, and sound) can add to the appeal of a store. Layout is also important in the online world where site navigation and usability may be deciding factors in whether of a retail website is successful.

Principles of Store Design

Before we move on to understanding the components of store design, we need to understand the principles of store design. Given that the ultimate aim of the retailer is to bring the customer to the store and creating an environment which makes the customer to the store and creating an environment which makes the customer come back, it is necessary to keep certain basic principles in mind while creating the store environment. These may be termed as the principles of Store Design which do draw from the Principles of Design but also from sense of what makes a store shopable.

1. **The first principle of store design is Totality:** The entire store has to be conceived as one unit which draws upon the retailer's very reason for existence, i.e. his vision and mission statement. Who does the retailer seek to be and which is the target audience that he seeks to tap. At the same time the type of merchandise to be retailed in the store and its price points have to be kept in mind. The entire store, right from the store entrance to the type of fixtures used to display the merchandise has to come across as one entity – this is the principle of totality
2. **The second principle is of Focus:** Wherein while aspiring to create beautiful places for the consumer to shop in, the retailer should not forget that the primary focus within the store has to be the product or the merchandise. While in a store, a customer should feel comfortable he should not be awed by the ambience of the store, achieving sales is the primary step towards being sustainable in the long run.
3. **The third principle is of Ease of Shopping:** The store has been created for the customer, it has to be easy for him navigate, easy to access and most importantly simple to understand. No one wants to visit a store where shopping is cumbersome and tedious.

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4. **The last principle is of Change and Flexibility:** Store designs increasingly, have to be adaptable to the environment that they are a part of. The fast moving world of the consumer means that retailers are having to think more and more about how the design of their stores will cope with the short and long term future demands of their business, and the wants of their consumers. Change and flexibility have to be considered from the point of the ever changing consumer needs and store design has to be adaptable to that change.

Exterior Store Design and Interior Store Design

The exterior of most stores includes the fascia, mentioned above, the store entrance, the architectural features of the building and windows. The contribution of these parts of a store's exterior to an overall design can vary in importance according to the type of store format and the products on offer.

Example: Superstores, hypermarkets and category killers rarely use window displays, but have bold fascias and easy to access entrances. Standalone stores may have to conform to strict architectural guidelines imposed by government planning authorities, whilst the centre management team may control the exterior of stores in a planned regional shopping centre. Entrances can be designed to be open and welcoming, or closed and exclusive. A key consideration for retailers is the need to be accessible for all members of society.

The interior of a store can be viewed in a similar way to living space. It comprises ceiling, walls, flooring and lighting, but instead of furniture retail outlet houses fixtures for the presentation of merchandise, and fittings for equipment such as tills. In choosing the materials used for the interior, retailers have to consider the type of product being sold, costs, store traffic and health and safety.

Example: The store interior for a food retailer needs to be easy to clean and hygienic, but able to withstand high levels of customer footfall; high quality materials are therefore likely to be a worthwhile investment. Alternatively, a young fashion retailer will place more emphasis on less expensive but fashionable furnishings materials, in the knowledge that an updated refit is likely to be necessary in less than five years. All retailers have to conform to heath and safety trading standards such as those set out under the Health and Safety at Work Act, 1974, and the Offices, Shops and Railway Premises Act, 1963.

CASE STUDY: Starbucks Corporation

Starbucks Becomes a Public Company

Starbucks' initial public offering (IPO) of common stock in June 1992 turned into one of the most successful IPOs of the year. With the capital afforded it by being a public company, Starbucks accelerated the expansion of its store network. Starbucks' success helped speciality coffee products begin to catch on across the United States.

Competitors, some imitating the Starbucks model, began to spring up in many locations. The Speciality Coffee Association of America predicted that the number of coffee cafés in the United States would rise from 500 in 1992 to 10,000 by 1999.

The Store Expansion Strategy

In 1992 and 1993 Starbucks developed a three-year geographic expansion strategy that targeted areas which not only had favourable demographic profiles but which also could be serviced and supported by the company's operations 'hub' teams of professionals were located in hub cities to support the goal of opening 20 or more stores in the hub in the first two years. Once stores blanketed the hub, then additional stores were opened in smaller, surrounding 'spoke' areas in the region. To oversee the expansion process, Starbucks created zone vice presidents to direct the development of each region and to implant the Starbucks culture in the newly opened stores. The entire new zone vice presidents Starbucks recruited came with extensive operating and marketing experience in chain-store retailing.

Starbucks' store launches grew steadily more successful. In 1995, new stores generated an average of $700,000 in revenue in their first year, far more than the average of $427,000 in 1990. This was partly due to the growing reputation of the Starbucks brand. In more and more instances, Starbucks' reputation reached new markets even before stores opened. Moreover, existing stores continued to post year-to-year gains in sales.

Starbucks had notable success in identifying top retailing sites for its stores. The company had the best real estate team in the coffee-bar industry and a sophisticated system that enabled it to identify not only the most attractive individual city blocks but also the exact store location that was best. The company's site location track record was so good that as of 1997 it had closed only 2 of the 1,500 sites it had opened.

Real Estate, Store Design, Store Planning, and Construction

Schultz formed a headquarters group to create a store development process based on a six month opening schedule. Starting in 1991, the company began to create its own in-house team of architects and designers to ensure that each store would convey the right image and character. Stores had to be custom-designed because the company didn't buy real estate and build its own freestanding structures like McDonald's or Wal-Mart did; rather, each space was leased in an existing structure and thus each store differed in size and shape. Most stores ranged in size from 1,000 to 1,500 square feet and were located in office buildings, downtown and suburban retail centres, airport terminals, university campus areas, or busy neighbourhood shopping areas convenient to pedestrian foot traffic. Only a select few were in suburban malls. While similar materials and furnishings were used to keep the look consistent and expenses reasonable, no two stores ended up being exactly alike.

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In 1994, Starbucks began to experiment with a broader range of store formats. Special seating areas were added to help make Starbucks a place where customers could meet and chat or simply enjoy a peaceful interlude in their day. Grand Cafés with fireplaces, leather chairs, newspapers, couches, and lots of ambience were created to serve as flagship stores in high-traffic, high-visibility locations. The company also experimented with drive through windows in locations where speed and convenience were important to customers and with kiosks in supermarkets, building lobbies, and other public places.

To better reduce average store-opening costs, which had reached an undesirably high $350,000 in 1995, the company centralized buying, developed standard contracts and fixed fees for certain items, and consolidated work under those contractors who displayed good cost-control practices. The retail operations group outlined exactly the minimum amount of equipment each core store needed, so that standard items could be ordered in volume from vendors at 20 – 30 percent discounts, then delivered just in time to the store site either from company warehouses or the vendor. Modular designs for display cases were developed. And the whole store layout was developed on a computer, with software that allowed the costs to be estimated as the design evolved. All this cut store-opening costs significantly and reduced store development time from 24 to 18 weeks.

A 'stores of the future' project team was formed in 1995 to raise Starbucks' store design to a still higher level and come up with the next generation of Starbucks stores. Schultz and Olsen met with the team early on to present their vision for what a Starbucks store should be like – an authentic coffee experience that conveyed the artistry of espresso making, a place to think and imagine, a spot where people could gather and talk over a great cup of coffee, a comforting refuge that provided a sense of community, a third place for people to congregate beyond work or the home, a place that welcomed people and rewarded them for coming, and a layout that could accommodate both fast service and quiet moments." The team researched the art and literature of coffee throughout the ages, studied coffee growing and coffee-making techniques, and looked at how Starbucks stores had already evolved in terms of design, logos, colours, and mood. The team came up with four store designs—one for each of the four stages of coffee making: growing, roasting, brewing, and aroma—each with its own colour combinations, lighting scheme, and component materials. Within each of the four basic store templates, Starbucks could vary the materials and details to adapt to different store sizes and settings (downtown buildings, college campuses, neighbourhood shopping areas). In late 1996, Starbucks began opening new stores based on one of the four templates. The company also introduced two mini store formats using the same styles and finishes: the brevebar, a store-within-a-store for supermarkets or office-building lobbies, and the doppio, a self-contained 8-square-foot space that could be moved from spot to spot. Management believed the project

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accomplished three objectives: better store designs, lower store-opening costs (about $315,000 per store on average), and formats that allowed sales in locations Starbucks could otherwise not consider. For a number of years, Starbucks avoided debt and financed new stores entirely with equity capital. But as the company's profitability improved and its balance sheet strengthened, Schultz's opposition to debt as a legitimate financing vehicle softened.

In 1996 the company completed its second debt offering, netting $161 million from the sale of convertible debentures for use in its capital construction program.

Store Ambience

Starbucks management looked upon each store as a billboard for the company and as a contributor to building the company's brand and image. Each detail was scrutinized to enhance the mood and ambience of the store, to make sure everything signaled 'best of class' and that it reflected the personality of the community and the neighbourhood. The thesis was 'Everything matters.' The company went to great lengths to make sure the store fixtures, the merchandise displays, the colours, the artwork, the banners, the music, and the aromas all blended to create a consistent, inviting, stimulating environment that evoked the romance of coffee, that signaled the company's passion for coffee, and that rewarded customers with ceremony, stories, and surprise. Starbucks was recognized for its sensitivity to neighbourhood conservation with the Scenic America's award for excellent design and sensitive reuse of spaces within cities.

To try to keep the coffee aromas in the stores pure, Starbucks banned smoking and asked employees to refrain from wearing perfumes or colognes. Prepared foods were kept covered so customers would smell coffee only. Colourful banners and posters were used to keep the look of Starbucks stores fresh and in keeping with seasons and holidays. Company designers came up with artwork for commuter mugs and T-shirts in different cities that was in keeping with each city's personality (peach-shaped coffee mugs for Atlanta, pictures of Paul Revere for Boston and the Statue of Liberty for New York).

To make sure that Starbucks' stores measured up to standards, the company used 'mystery shoppers' who posed as customers and rated each location on a number of criteria.

Questions:

1. Analyze the case and interpret it.
2. What is store ambience? What are its essentials?
3. Write down the case facts.
4. What do you infer from it?

Source: http://www.mhhc.com/business/management/thompson/11e/case/starbucks-2.html

3.12 Store Space Management

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Space and inventory are the two most important resources of the retail firm. The best possible allocation of the store space to departments, product categories, storage space and customer space, is a major challenge for the owners and success of business. It has two way bearing on retail business – it not only attracts business by ensuring convenience to customers but also places the merchandise in accordance with the salespersons' work allocation. The key objectives of retail space management are:

1. To obtain a high return on investment by increasing the productivity of retail space. This requires effective utilisation of space for merchandise display, and customer movement.
2. To ensure compatible, exciting, and rational interface between customer, merchandise and sales people.

   The space management decision also has an important influence on sub-decisions like:

   (i) Location of various departments

   (ii) Arrangements between departments within the shopfloor

   (iii) Selecting the layout with customer behavior in mind

   (iv) Planned traffic flow of customers

3.13 Skill of Managing Space

Once the inventory comes within a retail store, the subsequently gigantic thing which comes within the mind of a retailer is to make a decision where to put it and how much vicinity should be allocated to the specific product. The decision of where in the store the products will sit is very imperative footstep in retail since store layouts are crucial to the shopping experience. Products need to be straight forward to place, be near related products, and have the truthful facings. Space management is about maximizing each edge of the selling floor.

Store Design

Accounting the derivatives of store designing, Jagdeep Kapoor, chairman and Managing Director, Samsika Marketing Consultants Pvt. Ltd. mentions, "Navigation and access and ease of browsing and picking up determine the store design."

Chandru Kalro, executive VP-marketing, TTK Prestige Ltd, says, "Our stores are designed in such a way that the customer can have a non-obtrusive shopping experience. But in value formats, catering to masses, it is packing as much merchandise as possible with not much emphasis on having it very organized. In formats catering to high end customers, stores are designed to make the shopping experience great and there is a 'stunner' factor in the store."

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Shelf Location and Space

A literal meaning of sales display is – arranging systematically saleable goods so as to attract the attention of the customer. In retail industry, product visibility of any brand is necessary to promote its sales. Many a times, space is often limited and merchandise to be displayed is more, so one needs to really utilize the space well – herein comes shelf management. Kalro says, "Shelf management plays an important role in managing merchandise well and helps to focus on categories or products that retailer intends to promote.

When asked how do retailers decide what to put and where on shelf, Kalro said, "Buyers do not always come to the store with a preset list in their minds about the products they want to buy. We plan our shelf to ensure all products in our range are well displayed as lot of the purchase is impulsive. Also while planning our shelf we see to it that there is optimum utilization of space and maximum amount of merchandise can be displayed."

Visibility and Sales Promotion

According to Kalro, product visibility plays a major part in customers' buying decisions – 'One buys what one sees', therefore, product visibility is very important. It is a function of persistence, precision and repetition – Your message needs to be heard repeatedly to rise above the background noise of daily business. Organized retail business in India is still competing to spread its foothold in India. The modern retailers are trying to increase the consumption – to create an urge for purchase; make people buy even if there is no great urgency to purchase. Supporting the fact, Kapoor, says, "Product visibility is what leads to impulse purchase inside your store. Product must be neatly stacked and visible face up."

Many brands and retailers try to engage the customer at the point of sale. Product promotion inside the store is very important to make consumers aware of sales promotion schemes as advertising in mass media is expensive and deliveries are not 100 percent. Today brands and retailers are cutting down on expenditure in mass media and focusing on the customer contact point. This is going to become more pronounced as the modern retail grows in India.

Competition Among Brands

The next lesson of shelf management is managing competition among different competitor brands. While providing answer on how a brand survives in front of another brand having an ongoing offer inside the store. Kalro says that "even if there is no offer on a brand and it is there on another brand we try to do justice to both .If the brand has an ongoing offer – the offer is highlighted, but if another brand has no offer on it –its product features are highlighted to highlight its presence inside the store. Though, at TTK Prestige, we have only single brand stores, there is competition amongst sub brands within categories. But we try and do justice to all sub brands or categories."

Kapoor also believes that consumers have their own preferences. He says, "Some people have preferences for brands, on the other hand some have preferences for schemes and deals. Therefore all the brands inside the store thrive depending on the consumer preferences. Both need to be given equal importance."

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So does that mean the brand featuring an ongoing offer have its negative impact on brand without offer? As per Kalro, offers are not the end of it all. Customers are ready to buy brands for the benefit and value proposition. There are many brands that have no offers at all and yet they sell."

Agreed with the Kalro point, Kapoor says, "I also believe that offer doesn't affect sales too much. In fact the brand with the offer can have a negative impact on the consumer giving a signal that is slow moving and hence the need for an offer."

Screening of Products

To line the old Smokey Robinson and the Miracles' song, the slogan of consumers nowadays is – "You superior shop in the region of." For discount retailers like Wal Mart, Future Bazaar and Reliance Fresh Stores and Target, that viewpoint presents a growing confront. With more shopping alternative than earlier from online merchants to retailers are hard pressed to differentiate them from the collection.

3.14 Space Planning Concept

We appreciate that 'retail is detail', but it is difficult for a retailer to identify the most critical part of it relavant familiar terms with which fragment of detail matters the majority, at any given time, for his business. We will facilitate out you to reflect about what factors are influencing performance in your business, and where to spotlight to formulate the most of what is working well, and sort out what is not. After people, space is the principal asset in a retail business. Every square foot should distribute sales and gross profit returns that pay for store labour, marketing investment and logistic costs. Good Better Best can lend hand retailers of all sizes to understand how to get to grips with what is arguably their most critical investment – their retail space – and how to plan that space to deliver both customer choice, and a sustainable financial return on each square foot.

Space Planning concepts are defined by architectural/interior designers who are concept oriented in the design and planning of architectural interior space, and other three dimensional environments. The theoretical point of reference is strongly aggravated by a marketing/strategic approach, the intention of which is to help businesses to position and differentiate them effectively. This is done by research, marketing and branding, leading to totally integrated concepts. The ultimate aim is to obtain superior profitability and hence a good return on investment. Cost effective, yet innovative, space planning solutions are used in the attainment of this aim, which go beyond aesthetic considerations. Measurement techniques are used to evaluate concepts which help to demystify and objectify the process.

Objectives of Space Planning

- To enable retail business, through design as a tool, to reach their growth and development objectives, by understanding their needs, developing strategies and conceptualizing facilities that are strategic and innovative, results driven, flexible and cost effective.
- To have a thorough understanding of the consumer, business and social trends and combine this with specific design objectives to arrive at a three dimensional selling environment.
- To recommend possible combinations of products and services.
- To demonstrate how we will maximize the probability of success of the project.
- To be in the business of design- designing for business, the objective of which is to assist with the turning on and inspiring people, adding value, creating desire all by enhancing the customers experience.
- To see retail not only as a commercial activity but also a social activity.
- To keep up to date with current and future trends which we then implement in our projects.
- To take an integrated design approach in our work which takes into account all the factors which will impact on the project.
- To apply retail science techniques in order to obtain maximum space efficiency and productivity.

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The Process

Space Planning Criteria lists precise necessities, which define and make available specialized working environments within the retail outlets according to departments and function areas surrounded by the departments. The criteria make available contemporary guidance for the well-organized utilization of space to meet the requirements. Private sector standards of practice and exceptional requirements have been taken into consideration during the progress of these criteria.

Each section of space planning criteria provides the purpose and scope, definitions, policies, required program data elements, and specific space planning criteria by functional area.

- Analysis of objectives and research
- Concept generation
- Space planning for optimum placement and display of all merchandise.
- Colour, material and lighting considerations
- Signage design and placement for optimum impact
- Detailed drawings

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- Fixturing design and placement for optimizing display and flexibility
- Selection and/or custom design of components
- Contract documentation
- Certification and regulation compliance
- Project co-ordination and supervision
- Coordination/installation of furniture, furnishings and clutter packages • Post installation evaluation in terms of issues/shifts in marketplace
- Continuous measurement/analysis of performance of concept against a set of criteria
- Turnkey projects

Strategic Approach

- Go beyond cosmetic or aesthetical considerations
- Identify the target market, review current demographic, economic, competitive factors, and shopping patterns and purchasing characteristics of the consumer pertaining to the particular market and business
- Analyze the product and services offering
- Create the right type of market alignment and supportive environment for a store, including strategic identity, visual merchandising, branding and other design parameters
- Develop financial criteria for a store – pre-and post-reformatting that analyzes a stores performance.
- Increase productivity and profitability of the retailer
- Employ merchandise presentation techniques to generate higher stock turns • Train staff in all aspects of concept and merchandising
- Follow the progress of the store by critique and feedback
- Adjust and modify continuously

Retailers face challenges from competitive discounting strategies, fluctuating consumer demand, and seasonal inventory issues. Space and Category management, originally developed to help supermarkets improve sales, has evolved into a 'must have' for retailers. Companies that embrace advanced solutions to space and category management can rise above competitors, grow market share, and improve satisfaction levels by integrating intelligent forecasting and demand data.

Clusters Based on Similar Demand Trends

Utilizing demand data gathered from similar purchasing patterns helps planners create intelligent forecasts for specific products; these forecasts are then used to create store clusters. Clustering based on demand insight allows organizations to make allocation and replenishment decisions, as well as reduce uncertainty by having a flexible plan that can be tweaked to accommodate shifts in consumer demand for more effective product launches.

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Accurate and Efficient Assortment Management

Intelligent forecasts help retailers determine trends in advance and plan for what products should be in what stores at a specific time. Using demand insight to drive planning allows retailers to predict trends for new and seasonal products, determine assortments, and calculate store and shelf placement. Demand planning also allows stores to localize assortments based on the demographic of shoppers.

Creating Floor Plans that Increase Store Productivity

Making sure the right space is allocated which suppose to be critical to store productivity. Using an intelligent forecast to develop a floor plan allows retailers to decide on the placement of specific products to maximize the real estate available based on future demand. High-traffic areas can be used to sell the higher demand items or promote seasonal products.

Efficiently Develop Planograms for Improved Space Management

Understanding shelf space availability, along with consumer demand, allows retailers to develop a replenishment strategy to avoid excess inventory and plan for a rise in the purchasing of a product based on season or promotions. Maximizing the space available and reducing excess inventory can increase revenue and efficiency. In the past, merchants have often been forced to choose between quantity and quality when developing planograms. However, advanced solutions such as JDA Software's Planogram Generator enable retailers to create large quantities of planograms without sacrificing quality.

3.15 Return on Space

GMROF stands for Gross Margin Return On Floor Space – is a way for measuring of inventory productivity that expresses the relationship between your gross margin, and the area allotted to the inventory. GMROF is expressed as a percentage or rupees multiple, telling you how much returns you've gotten per area (selling feet) during a specified period.

- Gross margin return per sqft. = Gross margins/sqft
- Gross margins (GM) = sales – cogs (cost of goods sold)

So to state the obvious the higher the GMROF the better, evolved retailers use this as a benchmark in getting efficiency of departments within a store and between stores comparison.

Strategies for GMROF increase:

- Increasing the mix of pvt labels share sale
- Increasing the sell thru's
- Better margin negotiation from suppliers and vendors

Operational Measures

- Put your best people to sell more of the high GM category
- Effective Use of VM to drive sell thru's

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All this gets measured by a strong MIS back up, which makes the measurement of the same effective. Since real estate costs are one of the largest expense items for a retailer it is very important for a retailer to track how this resource is being used and how the same can be leveraged further. Indian retailers have managed to make the best use of this, one to note is Shoppers, Stop, which has evolved on this front.

3.16 Maintenance of Space

As retail companies strive to provide in-store services and localized amenities to offer a differentiated shopping experience, the planning and execution of retail floor space becomes a top priority. Only appropriate Space Management optimizes retail space for maximum profitability and provides retailers with photo-realistic, three-dimensional floor plan views of each store. This maximizes the return on investment (ROI) and utilization of space, one of retailer's most precious assets.

The Challenges of Space Management

Retailers seek to meet local consumer needs by customizing assortments, store layouts, merchandisable and non-merchandisable space, and unique promotions. They must do so while also maximizing profit and ROI from every inch of each store's space. This requires appropriate planning of space allocation – from the floor space assigned for each category to the shelf capacity for individual items. However, the lack of visibility into each individual store's actual fixture and space constraints means that prototype store layouts and one-size-fits-all planograms are developed. As each individual store strives to achieve localization, it can be difficult to ensure that what it executes meets headquarters' overall category goals and corporate objectives. Furthermore, because space planners at headquarters rarely have visibility into and an accurate understanding of the actual modifications performed at each individual store, future space planning becomes cumbersome.

In addition, retailers often manage space planning in a silo, leading to significant disadvantages throughout the retail organization. For example, retailers that manage space with no regard for category-level roles, strategies, and objectives may find themselves having adjacencies that do not complement one another or not allocating enough space to high-demand categories. Further, space constraints such as fixture capacity must be communicated and understood throughout the supply chain. If constraints are not communicated downstream, there is a risk of inaccurate inventory planning, inadequate service levels, and out-of-stocks on the shelves.

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Maximize the Profitability of Your Space

An ERP like system provides a solution to these common but difficult issues and enables retailers to achieve maximum profitability across every square foot of their stores. It provides a link between merchandising and store planning, construction, operations, and inventory management. An IT solution also allows for the creation and automation of detailed floor plan layouts – including fixture capacity, location, and merchandisable and non-merchandisable space.

Key Features of a Space Management Software

A Space Management software should be an integrated store floor and shelf space solution that delivers comprehensive functionality to empower retailers to maximize their return on space.

- **Store-specific floor plan management** Automated drawing maintenance tools allow for the seamless incorporation of fixture and planogram changes to all affected store floor plans.
- **Planogram maintenance and publishing** A performance-driven planogram maintenance tool enables retailers to centrally manage planogram information while sharing and updating information with store-level personnel.
- **Store category space and adjacency analyses** These analyses leverage powerful category and planogram performance metrics at the chain, cluster, and store level to identify potential floor or planogram adjacency opportunities across the entire store. Importantly, this solution integrates with Oracle's proven optimization analytics, maximizing space utilization.
- **Drawing automation and two-way CAD communication** Automated drawing management tools ensure that store-specific drawings can be created and maintained in a dynamic merchandising environment via two-way communication with AutoCAD. This integration with a retailer's CAD process and its item management, supply chain, and planogram development processes ensures that changes that affect the store's floor plan are seamlessly incorporated, with minimal user intervention.
- **3-D store plan visualization and maintenance** Detailed fixture and store environmental libraries enable photo-realistic, walk-through environments of a new or prototype store.
- **Single common relational database** A common relational database – leveraging Oracle Retail database technology – stores detailed reports on inventory, fixturing, merchandising, and space/performance return.
- **Integrated fixture takeoff and ordering** Direct integration with existing fixture libraries and manufacturer ordering information enables Oracle Retail Macro Space Planning to deliver version-specific fixture takeoffs and fixture ordering

for store plans. Additionally, a store difference report highlights additions and returns to stock of fixtures and fittings from remodel and remerchandising initiatives.

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Adherence of Space Plan

Retailers seek to meet local consumer needs by customizing assortments, store layouts, merchandisable and nonmerchandisable space, and unique promotions. They must do so while also maximizing profit and ROI from every inch of each store's space. This requires appropriate planning of space allocation – from the floor space assigned for each category to the shelf capacity for individual items. However, the lack of visibility into each individual store's actual fixture and space constraints means that prototype store layouts and one-size-fits-all planograms are developed. As each individual store strives to achieve localization, it can be difficult to ensure that what it executes meets headquarters' overall category goals and corporate objectives. Furthermore, because space planners at headquarters rarely have visibility into and an accurate understanding of the actual modifications performed at each individual store, future space planning becomes cumbersome.

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Avoid Mismanagement of Space

Management of space provides a solution to these common but difficult issues and enables retailers to achieve maximum profitability across every square foot of their stores. It provides a link between merchandising and store planning, construction, operations, and inventory management. Oracle Retail Macro Space Management also allows for the creation and automation of detailed floor plan layouts – including fixture capacity, location, and merchandisable and non merchandisable space. The environment leverages AutoCAD and enables seamless integration with the retailer's existing drawings and eliminates the need for redrawing. These store floor plans can then be linked to shelf planograms. Importantly, Oracle Retail Macro Space Management offers all of this in a photo-realistic, dynamic interface

Cleanliness of Place

You may have fabulous merchandise to sell, but if you give the customer even one reason to assume that store cleanliness is not a priority, they will take their wallets elsewhere.

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1. **First Impressions Count:** Is the parking area clean of litter and brightly lit? Is the entrance clean and inviting with a trash receptacle available?
2. **Front Door Assumption:** Is the glass clean and free of fingerprints? Customers will make the assumption if the front door is dirty the rest of the store may be the same.
3. **Make it Glitter:** If it's glass or metal it must be clean. Make it a priority to dust and use glass cleaner every morning after vacuuming.
4. **Shoulders to Knees:** Customers notice the majority of "merchandising" between their shoulders and knees. Make those areas a priority of cleanliness.
5. **Behind the Scenes:** If the customer uses a fitting room, keep it spotless. 80% of a customer's buying decision happens in a fitting room. If you have a back stock area, keep it closed to the customer's eyes!
6. **Necessary Rooms:** Customers should be able to use your restrooms. Not only should it say "squeaky clean" to your customers but it also should say something about how you value your employees and their comfort level.
7. **Clutter Free:** Shipping boxes, pallets, rolling racks, shipping materials needed for the operation of the store should be out of site or neatly stored away from the traffic flow in the store.
8. **Ease of Shopping:** Overstocking of merchandise can be overwhelming to the customer and they can "assume" your store is messy merely because of the volume of merchandise. How easy is it to get around your store? Can you get a stroller or wheelchair easily around the store?
9. **Aroma:** Does your store "smell clean"? Customers can make an assumption of whether a store is clean based on what they smell? If you have become to immune to any smell your store may have, ask friends or new employees to give you their opinion.
10. **Register Area:** The most important area of the store, no matter what kind, is the place you exchange your hard earned money for something you value, your purchase. Make it spotless!

3.17 Retail Performance Measures

Sales and profitability are considered established measures of retail unit success. Similarly they can be used to measure the performance of retail space management. The measures of retail space performance indicate the productivity of retail -space. The three commonly used retail space performance measures are sales per square meter or profit per square per meter, sales per linear meter or profit per linear meter and sales per cubic meter or profit per cubic meter.

1. **Sales per Square Metre or Profit per Square per Meter:** It measures retail space performance on the basis of sales/profits according the area of floor space

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covered. This measure is conducive to use when only single layer of merchandise is displayed and various type fixtures are placed. This is a common measure for the fashion retailing. Take a look at Figure 3.14 for a better idea.

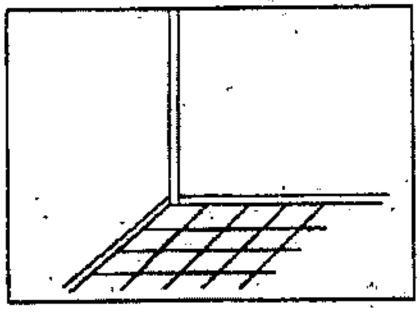

Figure 3.14 Sales/Profit per Square Metre

2. **Sales per Linear Meter or Profit per Linear Meter:** It measures retail space productivity on the basis of income generated by footage of shelf space allocated. This measure is more suitable for the stores using multi-shelved fixtures such as a gondola or racks. It takes into consideration linear meter value of shelf rather than the area of space exposed in terms of the height value of shelf. Figure 3.15 given below will help you understand this better.

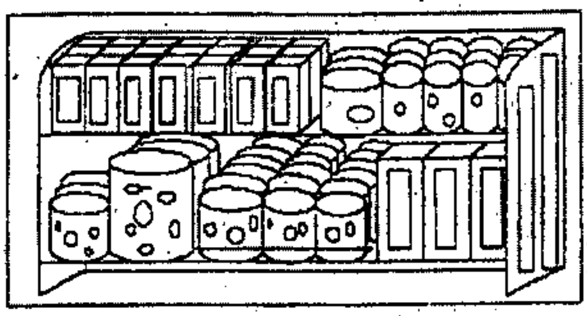

Figure 3.15 Sales/Profit per Cubic Metre

3. **Sales per Cubic Meter or Profit per Cubic Meter:** It measures retail space performance on the basis of length, width, and depth of the fixtures placed in the store. This measure is necessarily used by retailers in the frozen food business or those who place dump bins on the retail floor. Take a look at figure 3.16.

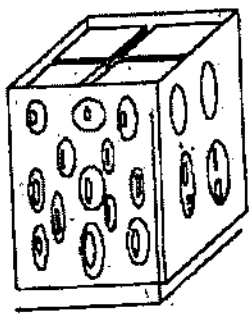

Figure 3.16 Sales/Profit per Cubic Metre

Space-to-sales ratio, turn rate and gross margin R01 analyses can help create the most profitable planogram for the retailer. In effect the performance of retail space depends on the levels of sales and the profitability of the merchandise place within the space and the value of the retail space. Retail space allocation decisions are conceived and implemented at department level, category level and SKU level in respect of big departmental super market stores. Whereas, small retailers' major concern is to ensure the placement of all kinds of merchandise in the limited shop floor area and to have smooth access to merchandise for themselves rather than customers, as no provisions for customers to enter store. Space allocation is the process of distributing the right amount of space to the right merchandise at the right time according to a detailed analysis of customer demand. It is loaded with tremendous complexity, spanning systems for data warehouses, distribution centers, transportation networks and product planning.

- **Sales as a basis of space allocation:** Retailers have to decide about the sales data to be used for the allocation of space among merchandise. Three options available with retailers are historical sales data, market share and projected sales.
- **Profitability as a basis of space allocation:** Profits are taken into consideration for determining the optimum allocation of retail space amongst the product categories. Product profitability is measured by gross margins, and gross margin return on investment etc. Profitability measures help the retailers to allocate quality and quantity of retail space to the profitable product categories and departments at priority. It also keeps check on the retailers' unnecessary allocation of large space for the merchandise that would sell just as well in a limited place.

3.18 Summary

A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing. Good customer service is more than just being quick and having a good product. Segmentation divides subjects, objects or variables into various relatively homogeneous groups (e.g., segmenting customers into usage-pattern groups). An organization is a formal arrangement of roles and ranks put in place to attain some particular objectives.

The arrangement of a retail organization depicts the role of employees and the mode in which the organization operates. Owner-managers of a single store may be the entire organization. Coordinating and controlling employee activities is easier in a small store than in a large chain of stores. Location decision is very important in retailing business because location involves large cost.

In decentralized stores systems each section of the industry has separate stores attached with it. In centralized stores system the main store located centrally fulfils the

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needs for each and every department. Store layout is the way, the store or business space that is used to promote sales and to satisfy the customer. Below is a picture of a general layout of a retail store. Diagonal floor plan works well in stores where customers have the liberty to walk in and pick up merchandise on their own. It uses perimeter design which cause angular traffic flow.

Curved Plan is also called angular floor plan. Diagonal floor plan works well in stores where customers have the liberty to walk in and pick up merchandise on their own. It uses perimeter design which cause angular traffic flow. The straight floor plan creates spaces within the retail store for the customers to move and shop freely.

The structure of retail space creates the constraints of the overall design. The interior of a store can be viewed in a similar way to living space. The interior of a store comprises ceiling, walls, flooring and lighting, but instead of furniture retail outlet houses fixtures for the presentation of merchandise, and fittings for equipment such as tills. The exterior of most stores includes the fascia, mentioned above, the store entrance, the architectural features of the building and windows. Standalone stores may have to conform to strict architectural guidelines imposed by government planning authorities, whilst the centre management team may control the exterior of stores in a planned regional shopping centre.

Very simply for the reason that as a retailer you require to make certain that sales quantity and gross productivity is calculated in relation to the quantity of space used to engender those sales. The following measures of efficiency should be regularly recorded for an example Sales per square meter /Profit (gross and net) per square meter

The space planning concepts are strongly motivated by a marketing/strategic approach, the intention of which is to help businesses to position and differentiate themselves effectively. This is done by research, marketing and branding, leading to totally integrated concepts.

Making sure the right space is allocated is critical to store productivity. Using an intelligent forecast to develop a floor plan allows retailers to decide on the placement of specific products to maximize the real estate available based on future demand. High-traffic areas can be used to sell the higher demand items or promote seasonal products.

GMROF stands for Gross Margin Return on Floor Space is a measure of inventory productivity that expresses the relationship between your gross margin, and the area allotted to the inventory. GMROF is expressed as a percentage or rupees multiple, telling you how much returns you've gotten per area (selling feet) during a specified period.

As retail companies strive to provide in-store services and localized amenities to offer a differentiated shopping experience, the planning and execution of retail floor space becomes a top priority. Only appropriate Space Management optimizes retail space for maximum profitability and provides retailers with photo-realistic, three-dimensional floor plan views of each store.

Retailers seek to meet local consumer needs by customizing assortments, store layouts, merchandisable and non-merchandisable space, and unique promotions. They must do so while also maximizing profit and ROI from every inch of each store's space.

Management of space provides a solution to the common but difficult issues like mismanagement of space and enables retailers to achieve maximum profitability across every square foot of their stores.

You may have fabulous merchandise to sell, but if you give the customer even one reason to assume that store cleanliness is not a priority, they will take their wallets elsewhere. In measuring the productivity you can then construct judgments as to how enhanced to employ the space. Administer your space sound and you will optimize your asset – making it work harder for you.

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3.19 Keywords

- **Data Mining:** It discovers the meaningful patterns and relationships in data – separating signals from noise – and provides decision-making information about the future.
- **Online Analytical Processing:** It enables users to easily and selectively extract data and then view it from different perspectives.
- **Retail Store:** It is any business enterprise whose sale volume comes primarily from retailing.
- **Statistical Analysis:** It refers to a collection of methods used to process large amounts of data to uncover key facts, patterns and trends.
- **Store organization:** The store organization is a formal arrangement of roles and ranks put in place to attain some particular objectives.
- **Store Layout:** Store layout refers to the way the store or business space is used to promote sales and to please the customer.
- **Straight Floor Plan:** The straight floor plan creates spaces within the retail store for the customers to move and shop freely.
- **Site Selection:** Refers to the type of building the retailer requires and its affordability.
- **Space Management:** Planning, designing and creating retail floors to achieve great deal with customers.

3.20 Review Questions

1. Define the term 'retail store'. Who is a retailer?
2. "Good customer service is more than just being quick and having a good product". Discuss.

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3. What is the aim of using predictor?
4. Define the term Segmentation?
5. What is the objective of data mining?
6. Define the term store organization. What are its characteristics features?
7. What does arrangement of a retail organization depicts?
8. What are the essentials of an effective retail organization structure?
9. "Coordinating and controlling employee activities are easier in a small store than in a large chain of stores". Discuss.
10. What are the responsibilities of an owner-manager?
11. Differentiate between the two levels of organization arrangement.
12. Why Location decision is crucial in retailing?
13. What is customer traffic? How does it affect store location?
14. "Retailer should understand the importance of location decision in the context of retail business". Elucidate.
15. Differentiate between centralized and decentralized stores systems with suitable examples.
16. What is store layout?
17. What are the types of store layout? Discuss each in detail.
18. What is store design?
19. Write down the principle of store design.
20. Briefly discuss interior and exterior store design.
21. Explain the factors that should be take into consideration before layout selection.
22. The structure of retail space creates the constraints.
23. What is store layout aimed at?
24. What is Diagonal floor plan?
25. "Layout plan is the silent guide". Discuss.
26. What is Curved Plan?
27. What is meant by store ambience?
28. What is meant by visual branding of a store?
29. Which Plan is most suitable for large stores that are single level?
30. Why it is advised not to play loud music at the store?
31. What should be your space management objectives? Explain with the help of suitable examples.
32. What is the relationship between marketing and design?
33. Define space planning concept? What process one must follow for well defined space planning concept?

34. What are the different ways in which to optimization of space availability is achieved?
35. Explain the strategies for GMROF to increase the operational measures.
36. Explain the challenges of space management and how you will maximize the profitability of your space.
37. What are the limitations of sticking to a corporate goals or proto-type?
38. List at least eight important points of cleanliness that will impress your customers.
39. Explain the salient steps to be taken in planning and designing a stores layout.
40. Explain the concept of 'Space Mix'.
41. Describe the key parameters that you suggest while judging the performance of space management.
42. Suggest some guidelines for successful space management.

Notes

3.21 Further Reading

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UNIT–4

Notes

Retail Marketing

(Structure)

4.1 Learning Objectives
4.2 Introduction
4.3 Store Positioning in Retail Management
4.4 Retail Marketing Mix
4.5 Communicating with the Retail Customer
4.6 Advertisement
4.7 Objections of Advertisement
4.8 Advertising Agency
4.9 Selection of Advertising Agency
4.10 Promotion
4.11 Retail Selling Process
4.12 The Evolution of Relationship Marketing
4.13 Strategies of Customer Relationship Marketing in Retailing Industry
4.14 Customer Relationship Marketing (CRM) in Organised Vs. Unorganised Retail Sector
4.15 Establishing Loyalty Programmes
4.16 Summary
4.17 Keywords
4.18 Review Questions
4.19 Further Readings

4.1 Learning Objectives

After studying the chapter, students will be able to:

- Understand the concept of customer relationship marketing (CRM)
- Understand the various types of CRM efforts
- Analyse the nature of customer service as part of CRM efforts
- Understand the nature and role of loyalty programmes in building and maintaining relationship with customers

- Analyse and compare loyalty programmes across sectors, and
- Appreciate the role of employees in building and maintaining customer relationships

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4.2 Introduction

Customer Relationship Marketing (CRM) refers to all marketing activities directed towards establishing, developing, and maintaining successful relationship with their customers. The theories and concepts of CRM draw upon a number of distinct areas including service quality, services marketing, customer retention economics, and issues related to interpersonal and social interaction. However, the practice of relationship marketing is as old as marketing and selling.

The relationship marketing philosophy suggests that, at a macro level, retail organizations should consider their impact across a broad range of market relationships in the value chain.

The objective of relationship marketing is to attract, maintain, and enhance customer relationships with the existing and potential customer. Many retailers and marketers have now acknowledged the relevance of relationship marketing in retail strategy. Relationship marketing is implemented through various components such as rewards, customer services, and involvement of customers in planning and execution of retail strategy. Retail stores that enact a system of rewards but neglect to have a focus on customer service fail.

CRM, at a theoretical level, emerged in the 1990s and has ever since become an important marketing tool due to the compulsions of competition, globalization, and the emergence of more knowledgeable and demanding customers. In consumer products marketing, it is the function of retailing that has attracted the most obvious interest in the development of relational strategies. In the organized retail sector, the popularity of store loyalty cards is provided as an evidence of the wide take-up of relationship marketing in this field. It comes as no surprise that retailers, today, are interested in relational strategies.

The intimate nature of the relationship the industry shares with the ultimate consumer (compared to businesses further back in the distribution chain) suggests that the closer the retailers get to the customers, the better they can provide the services the customers seek. The 'moment of truth' in consumer goods and services marketing is seen as that point when the consuming public comes face-to-face with the point of supply. As it is the retailer who most often manages this interaction and who, historically, has gone beyond the mere 'service encounter', their potential interest in relational strategies becomes even more apparent.

At this point it would be good to mention the drivers towards an effective relationship marketing.

Indicators of Effective Relationship Marketing in Retailing

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A high level of trust between consumer and retailer. A high level of commitment between the consumer and the retailer. Open communication channels between both parties with free exchange of information. A retailer having heartfelt interest in their consumers. An attempt by the retailer to favorably lock-in or retain their consumers.

Customer service is a vital part of relationship marketing. High level of customer service and satisfaction forces the suppliers and customers to have high 'switching costs'. Customer commitment is crucial for market share retention of any product, brand, or store, which is the result of effective relationship marketing. A customer who has committed loyalty to a single seller for a return of some 'valued reward' is not going to satisfy a competitor's grab for additional sales.

4.3 Store Positioning in Retail Management

Store Positioning is creating an image or identity for the Store. It is the 'place' a store occupies in a given market as perceived by the target market. Positioning is something that is done in the minds of the target market. A stores position is, how potential buyers see the store. Attracting the customers is the crux of the issue of retail trade. How and where the store is positioned on the site affects the retailer's ability to attract the customers. Therefore in evaluating the existing store facilities or planning future site layouts, the retailer should answer effectively and satisfactorily these three questions. These are:

- How visible is the store?
- Is the store compatible with its surroundings?
- Are store facilities placed for customer convenience?

1. **Ensuring the Store Visibility:** The customers must see the store if the retailer wants to achieve the goals of stopping, attracting and inviting the customers. A visible store becomes a part of the consumers mental map of where, to shop for certain product as service. Visual awareness of a stores existence has the short-run benefit of alluring impulse shoppers and the long-run benefit of attracting the future customers who develop a particular need for the retailers products. Architecture is a major factor both ill making the right impression on the consumers and in developing an efficient retail operation. The actual store's architecture is a compromise between both the aims namely, making an impression and designing a functional facility and services. Ideally, a store should be positioned so that it is clearly visible from the major traffic arteries adjacent to the site. A retailer can improve the store's visibility be using three interacting factors namely, setback, angle and elevation to his advantage. Set back. Reduced visibility is the result of either setting the store too far back from

a traffic artery or from positioning it too close to the street. Therefore, ideally a store should be setback far enough to give the passersby a broad perspective of the entire store, but close enough to let them read major signs and see the possible window displays. Angle. Visual impression can also be increased or decreased by the angle of the store relative to a traffic artery. A retailer should place the building at an angle to the traffic artery that maximizes the exposure, in positioning the store. Since the store's front is designed to stop and attract potential customers it should face the major traffic artery when the store's back or sides are visible to passersby, they too should be attractive and informative. Elevation. The elevation of a site can place the retailer's store above or below the main traffic artery level. Normally, elevation problems can be overcome by landscaping and the use of signs. However, such problems always translate into visibility problems for retailers that badly need exposure. It so happens that most of the consumers do not see stores that are too high as too low.

2. **Designing Site Compatibility:** By fitting the store to the naturally of the land and the natural habitat a retailer can reap the harvest of benefits in terms of visual impressions. The retailer must consider several issues in designing for site compatibility. (1) The size of the facility should be appropriate to the size of the site. A sense of proportion makes a sea of difference. (2) The architectural design and construction materials should portray a harmonious relationship with immediate environment (3) A certain amount of open space adds to the natural appearance of the store in making it attractive.
3. **Planning Consumer Conveniences:** The retailer should take into account as to how the position affects consumer convenience while planning the store's on the site position. Enough parking space for vehicles should be available with sufficient access to these vehicles. Parking lot should allow easy movement-to and fro and turnaround the vehicles. Parking should be with safety and that ensures easy movement of pedestrians to the store.

Retail Store Positioning

Retail store positioning creates an image of the store in the market that provides a different identity to stores that deal with retailing, and the image of the store occupies by the target audience places a particular identity for customers and consumers. Retail store positioning is based on fixed dimensions that a retailer perceived to place in customers' minds that express a different position and placement of products and services from available competition in the market. It makes the product of one particular company unique and different from competitors. The positioning of companies' products and services relates to a brand's retailing system, such as positioning a retail store that attracts consumers in the market. Positioning reflects the design and implementation of retail mix strategies that may directly or indirectly impact a brand's strength and customers'

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loyalty to that brand. Positioning shows how loyal customers are and how a product's image sits in the hearts and minds of customers dependent on a brand's awareness.

Strategies to Create Retail Store Positioning

Some strategies to create retail store positioning are as follows:

- **Positioning Based on Characteristics and Use of Products:** Products' characteristics and usage are associated with positioning a particular brand. A retail store involves some products that have certain characteristics that are beneficial for customers. Retail stores launch positioning strategies that are more expected by the target audience in the market. For example, Porsche positions performance, and Volvo positions safety in the market to capture the audience. The use of a particular brand helps companies to position their products. Such as the use of meal replacement in restaurants or other food stores increases the benefits of food products for gym customers, dieticians, and other people looking for diet products or food that provide much energy for customers' workout.
- **Positioning Based on Quality and Price:** Mostly, customers have thought about expensive products that are more quality than low-price products. However, the positioning of products according to the quality and price differentiate products in the retail store. Retailers communicate the price point to customers that make the quality and prestige of products and services different. Competitive pricing of products attracts more customers in the market, such as the aim of a retail store is to provide the cheapest product to customers to compete with their rivals in the market.
- **Positioning Based on the Competition:** Competition is a reference point to position retail stores' products that differentiate from competitors in the market. Positioning highlights the difference between a company and its competitor's products that make a product or service unique in the market. Companies use similar products or positioning strategies but add a distinct feature to their products or services that a group of customers expects from retail stores.

Methods Used by Retail Stores to Determine the Positioning Strategy

The retail stores can determine the positioning strategy through some ways detailed as follows: The positioning strategy of a retail store depends on the understanding of the marketplace where retailers want to compete in the market. Positioning of high-quality products offers marketing and promotion of different goods to attract the target audience. To make customers recognize a clear positioning strategy, companies or retail stores need to set the price or quality of products according to competitors' strategies to better survive in the market and retain customers with brands' products and services. A cohesive effort between the business strategies and other marketing activities or sales tactics is required for effective positioning strategies and communication policies.

Retail Store Positioning and Competitive Strategy

Positioning products in retail stores provide a unique selling proposition to a product or service that is an attractive feature to differentiate a particular brand in the market even if it has any similar characteristic with competitor's product. There are so many choices and options for customers in the market based on similar alternatives. Still, the positioning makes the brand stand out from the rest, providing a competitive advantage to the retail store. Retail stores benefit from enticing customers to purchase their products by communicating the unique selling proposition to customers and target audience.

4.4 Retail Marketing Mix

Retail marketing mix refers to the variables that a retailer can use in variable methods to arrive at an effective marketing strategy to attract his prospects.

The variables are the varieties of merchandise and assortment along with the services that are offered, including advertising pricing layout and promotion and also store location design and visual merchandising.

Retailers of an employ a variety of combinations to promote their business and to ensure proper reach to their prospective customers. Use of multiple methods depending on their objectives to promote themselves and create a market profile.

The choice of methods of promotion varies and is dependent on the nature of the business, the goods that are kept in the retail store, and other such multiple factors.

The credibility, control, and flexibility along with the cost that is associated with the retail promotion methods determine the choice of method of promotion.

There are 7 Ps of the retail mix, which is as follows:

1. **Product:** Product is the basic element of any and every organization. Some people go to the extent to comment that an organization is nothing but a collection of products. The product line is defined as the varieties of the products that are produced by a company, or that is stocked by a retailer. Collection of all the products and offering the company is known as product mix. The same products that are produced by the company are the ones that are sold by the retailer and kept in the retail store. Product mix refers to the length breadth and depth of the products.

   Result of the product is the total number of products that are present in the product line while the breadth of the product refers to the number of product lines that are offered by the company and finally the depth of the product means the various varieties of a particular product in that particular product line.

   The retail product mix is also called as a product assortment. Making sure that the availability of the product and inventory levels are according to the demands of the customer is very crucial for a retail store manager. Maintaining adequate inventory levels of product to meet the demands of the customer is very important. Multiple strategies can be used in case of retail product mix such as

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- New product launches
- Modification of existing product lines
- Trading town or trading up
- Assortment reduction or line elimination
- Management of PLC

Multiple combinations are used by retailers to achieve their business and promotional objectives.

2. **Price:** One of the most important element or variables, and the retailing buying decision is price. The entire retail organization is dependent on the single factor; it was either make it or break it. It is also known as the biggest and easiest measurement, which is subject to change.

   Rising helps the retail organization to complete its objective. This is also significant for new market entrant whose primary function is to establish their brand and then enjoy the increasing profits as and when the brand gets acceptance from the customers. From the customer's point of your price is considered as one of the main reason to visit a particular retail store. The pricing strategy in the case of the retail marketing mix should be consistent and consider the overall positioning of retailers sales, profits, and rate of return on investment.

   The lowest price may not necessarily mean the best price. Profit is the difference between cost and price. This can be very high when an urgent situation is exploited by the salesman.

   Cash flow, overall growth, and profitability are sort out by the retailers in order to survive the retail business. But in this case, pricing cannot be determined in isolation, and operating expenses and costs are equally important while establishing the retail price. Pricing the products is either based on the market at the cost of the product. The profits that are generated are within this and is controlled by the government and oriented by consumer or competition. Before one can determine the price, it needs a certain consideration such as the position of the market the position of the product in the market the perception of the customer various stages of a product life cycle through which the product is passing along with the competitive strategy and the overall retail marketing mix. The calculation of retail price should always be based on the markup and not the cost that is involved.

   Following are the components of price mix

   Competition, organizational objectives, credit terms, discount, cost and profit, variable and fixed cost, pricing options, positioning strategies, pricing policies, etc.

3. **Place:** The availability of the product should be close to the place of consumption so that the prospects and the customers can buy it easily. Ab

preferred brand by the customer who is not easily available at a location which is convenient to the customer that person made by some other brand in the same category thereby increasing the market share of the competition. This is myth retailer has to and sure the availability of the product so that the customers can buy it whenever they require — the major components of place, in the retail marketing mix: physical distribution and marketing channels.

The elements of the marketing mix are affected by the channels decisions and involve a long term commitment of resources for them to run smoothly. The intermediaries which are involved in the channel network independent organizations and their needs should be taken into consideration evaluating the alternatives of the channel. The marketing efforts success is dependent on a full-proof distribution network. The elements of physical distribution involve warehousing, transportation, bulk packaging, material handling, etc. Some of these activities may be carried out by the intermediaries, and he is coordination would be required to see in maximum results of marketing operations. The Place also concerns with levels of operation of the store and the number of employees that are needed.

4. **Promotion:** Once the budget of the retail store has been decided, the retailer should select an appropriate combination of public relations advertising, sales promotion, and personal selling. While this may be true in case of retailers, in case of small traders there are points which are limited because of limited availability of the funds, and they have to use advertising methods of promotional methods like direct mail holdings store displays fliers and other related publicity methods to attract the customers. Retailers who have no problems with financing may opt for Print or television media in order to promote their Store. The promotional mix is the one which varies from retailer to retailer and country to country and also depends on technological advancement. It also depends on the nature of competition and the finances available with the retailer.

   The promotional mix is designed by the retailer, which is in compliance with the objectives of the store, such as attracting the customers positioning of the organization and increasing the turnover.

   It also is based on other objectives such as clearing of the seasonal merchandising with special offers and announcement of special events. Retailers are known to spend the promotional budget on the development of advertising and advertising campaigns along with other promotional activities. The retailer is also known to have various methods of promotion in order to promote his goods.

   The methodology of promotion that is used by the retailer should be compatible with the stored image and the budget that is allocated for promotion by the retailer.

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The primary objective behind the promotional strategy is to influence the decision of purchasing. Hence the retailer has to ensure that proper budgets and time is allocated in order to make the promotional activity more effective.

5. **Process:** The process is perhaps one of the most crucial P in the retail marketing mix. The retail industry is based entirely on processes such as order processing and management of the database.

   Right from the moment a customer enters the retail store, he is dependent on the process which will help him to find the appropriate section which has the appropriate goods. It is a process that will help him find the price of the product along with other products and their prices, which help them to make a buying decision. Then the customer approaches the billing counter, which has an order processing system and a database management software which processes the order and generates a bill to the customer and processes the payment. Other processes such as queuing system and standardization also part of the process. It is essential that all these processes are interlinked for a customer to have a smooth experience.

6. **People:** People perhaps another most important aspect and the element of retail marketing. People in the retail store are the ones that help the customers to find their product to help them with a particular product. Is also includes the capacity of the staff and the efficiency and availability. The staff should be capable and efficient to carry out the functions of the store smoothly. The interaction of the staff with customers should be a profession as well behaved and helpful. If a particular product needs internal marketing it is the people who make sure that the internal marketing is done in accordance to the marketing rules and also ensures that the message reaches the right people or right customers.

7. **Physical Evidence:** The layout of the shop and the reception and check out are part of physical evidence. Answering questions such as what will be the location of the store, or the location of the store in the mall, etc. cockroaches in case of physical evidence. Interaction of customer and the staff is also included in physical evidence along with people. The testimonials of the customer the cash receipts and after-sale service are also part of physical evidence of retail Marketing Mix.

4.5 Communicating with the Retail Customer

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

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Operation of Communication Process

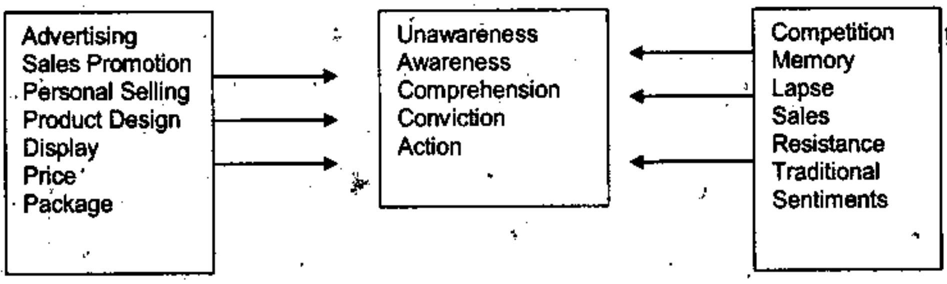

Figure 4.1 Marketing Communication Process

Need for Communication

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

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

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

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

- **Advertising:** Any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor.
- **Direct Marketing:** Use of mail, telephone and other non personal contact tools to communicate with or solicit a response from specific customers and prospects.
- **Sales Promotion:** Short-term incentives to encourage trial or purchase of a product or service.
- **Public Relations und Publicity:** A variety of programs designed to promote and/or protect a company's image or its individual products.
- **Personal Selling:** Face-to-face interaction with one or more prospective purchasers for the purpose of making sales.

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

The Communication Process

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

Message Decoding Receiver

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

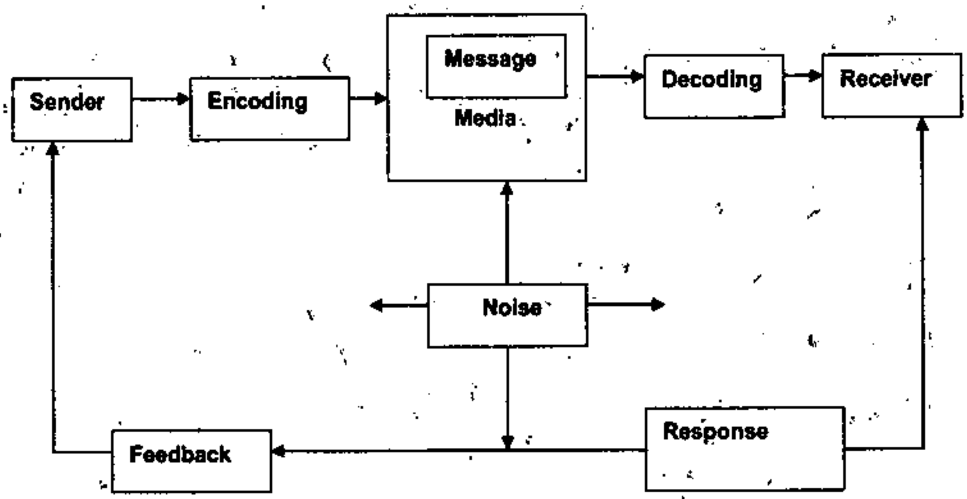

Figure 4.2 Elements in the Communication Process

For a message to be effective, the sender's encoding process must mesh with the receiver's decoding process. Messages are essentially signs that must be familiar to the receiver. The more the sender's field of experience overlaps with that of the receiver, the more effective the message is likely to be. "The source can encode, and the destination can decode, only in terms of the experience each has had". This puts a burden on communicators from one stratum (such as advertising people) who wants to communicate effectively with another stratum (such as factory workers). The sender's task is to get his or her message through to the receiver. There is considerable noise in the environment

– people are bombarded by several hundred commercial messages a day. The target audience may not receive the intended message for any reasons. The communicator must design the message to win attention in spite of surrounding distractions.

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Steps in Developing Effective Communication:

We will now examine the major steps in developing a total communication and promotion program. The marketing communicator must (1) identify the target audience, (2) determine the communication objectives, (3) design the message, (4) select the communication channels, (5) allocate the total promotion budget, (6) decide on the promotion mix, (7) measure the promotion's results, and (8) manage and coordinate the total –. marketing communication process.

1. **Identifying the Target Audience:** A marketing communicator must start with a clear target audience in mind. The' audience could be individuals, groups, particular publics, or the general public. The target audience will critically influence the communicator's decisions on what to say, how to say it, when to say it, where to say it, and to whom to say it.
2. **Determining the Communication Objectives:** Once the target market and its characteristics are identified, the marketing communicator must decide on the desired audience response. The ultimate response, of course, is purchase and satisfaction. But purchase behaviour is the end result of a long process of consumer decision-making. The marketing communicator needs to know how to move the target audience to higher states of readiness to buy.

   The marketer can be seeking a cognitive, affective, or behavioral response from the target audience. That is the marketer might want to put something into the consumer's mind, change the consumer's attitude, or get the consumer to act. Even here, there are different models of consumer-response stages.

   All of these models assume that the buyer passes through a cognitive, affective, and behavioral stage_ in that order. This sequence is the 'learn feel-do' sequence and is appropriate when the audience has high involvement with a product category perceived to have high differentiation, as is the case in purchasing an automobile. An alternative sequence is the 'do-feel-learn' sequence, when the audience has high involvement but perceives little or no differentiation within the product category, as in purchasing iron rods. Still a third sequence is the 'learn-do-feel' sequence, when the audience has low involvement and perceives little differentiation within the product category; as is the case in purchasing salt. By understanding the appropriate sequence, the marketer can do a better job of planning communications.

   If most of the target audience is unaware of the object, – the communicator's task is to build awareness, perhaps just name recognition. This can be accomplished with simple messages repeating the name.

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3. **Designing the Message:** Having defined the desired audience response, the communicator moves to developing an effective message. Ideally, the message should gain attention, hold interest, arouse desire, and elicit action (AIDA model). In practice, few messages take the consumer all the way from awareness through purchase, but the AIDA model suggests the desirable qualities.

   Formulating the message will require solving four problems: what to say (message content), how to say it logically (message structure), how to say it symbolically (message format), and who should say it (message source).

4. **Selecting the Communication Channels:** The communicator must select efficient channels of communication to carry the message. Communication channels are of two broad types, personal and non personal. Within each are found many sub channels.

   (i) ***Personal Communication Channels:*** Personal communication channels involve two or more persons communicating directly with each other. They might communicate face to face, person to audience, over the telephone, or through the mail. Personal communication channels derive their effectiveness through the opportunities for individualizing the presentation and feedback.

   A further distinction can be drawn between advocate, expert, and social channels of communication. Advocate channels consist of company salespeople contacting buyers in the target market. Expert channels consist of independent experts making statements to target buyers. Social channels consist of neighbors, friends, family members, and associates talking to target buyers.

   Many companies are becoming acutely aware of the power of the 'talk factor' or 'word-of-mouth' coming from expert and social channels in generating new business. They are seeking ways to stimulate these

   (ii) **Non Personal Communication Channels:** Non personal communication channels carry messages without personal contact or interaction. They include media, atmospheres, and events.

   Media consist of print media (newspapers, magazines, direct mail), broadcast media (radio, television), electronic media (audiotape, videotape, videodisc), and display media (billboards, signs, posters). Most non personal messages come through paid media.

   Events are occurrences designed to communicate particular messages to target audiences. Public relations departments arrange news conferences, grand openings, and sport sponsorships to achieve specific communication effects with a target audience. Although personal communication is often more effective than mass communication, mass media might be the major means to stimulate personal communication. Mass communications affect personal attitudes and behaviour through a two-step flow-of communication

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process. "Ideas often flow from radio and print to opinion leaders and from these to the less active sections of the population".

5. **Establishing the total promotion Budget:** One of the most difficult marketing decisions facing companies is how much to spend on promotion.

   This it is not surprising that industries and companies very considerably in how much they spend on promotion. Promotional expenditures might amount to 30–50% of sales in the cosmetics industry and only 10–20% in the industrial equipment industry. Within a given industry, low-and high-spending companies can be found. How do companies decide on their promotion budget? We will describe four common methods used to set a promotion budget.

   Many companies set the promotion budget at what they think the company can afford. One executive explained this method as follows: 'Why it's simple'.

   This method of setting budgets completely ignores the role of promotion as an investment and the immediate impact of production on sales volume. It leads to an uncertain annual promotion budget, which makes long-range market communication planning difficult.

6. **Promotion Mix:** Demand of goods is to be created to sell the goods produced in the market be created. Without demand creation, no sale can be effected. It is a continuous process throughout the product life cycle. At introduction level utmost efforts are made to make a product recognized by the customers. The demand once created, would have to be maintained and increased. Efforts for demand creation continue even in the declining stage. For this purpose, promotional activities are undertaken. A promotional mix involves three main activities: personal selling, advertising and sales promotion activities. Personal selling is direct or personal method of selling the product through salesmen or retailer. Advertising and sales promotion are impersonal methods of promoting the sales.

7. **Measuring Promotion's Results:** After implementing the promotional plan, the communicator must measure its impact on the target audience. This involves asking the target audience whether they recognize or recall the message, how many times they saw it, what points they recall, how they felt about the message, and their previous and current attitudes towards the product and company. The communicator would also want to collect behavioural measures of audience response, such as how many people bought the product, liked it, and talked to others about it.

8. **Total Marketing Communication:** Management combines the four controllable into marketing strategy market, distribution promotion and price strategies. It involves establishing and maintaining communications with target markets and interview middlemen, through various marketing communications media-advertising, personal selling, point of purchase materials, packing and other media like samples and coupons.

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The messages sent involve various aspects of the overall marketing strategy that might contribute to favourable buying response on the parts of middlemen and members of target market segment. Successful promotion comes about only through effective communication. Communication gap may be very harmful in the achievement of marketing goals.

4.6 Advertisement

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

Evolution of Advertising

- **The Beginning:** Romans practiced advertising. The potentiality of advertising multiplied when the hand press was invented at the end of the 15th century. By Shakespeare's time the posters had made their appearance. Thus gradually advertising assumed the function of fostering demand for excising products.
- **Mass Advertising:** It was in the latter half of the 19th century that mass advertising came into being. As mass production became a reality channels of distribution had to be developed to cope with the physical movement of goods creating a need for mass communication to inform customers of the choice available to them. This development was accelerated by increasing literacy.
- **Advertising in India:** In India advertising was accepted as a potent recognized means of sales promotion only two decades ago. This delay is attributable to late industrialization in India. But as India has become an industrial country, advertisements appear regularly in local as well as national papers.

Definition

American Marketing Association defines; "Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. It involves the use of such media as magazine, newspaper, space, radio; motion pictures, outdoor media, cards, catalogues, direct mail, directories and references, store signs, programmers and menus, novelties and circulars".

* "Advertising is any form of paid non-personal presentation of ideas, goods or services for the purpose of inducing people to buy." – Wheeler.* "Advertising is a paid form of non personal presentation of ideas, goods or services by an identified sponsor". – Richard Buskirk

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

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

Elements of Advertising

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

1. **Non-Personal communication:** Advertising is a mass non-personal communication reaching a large group of buyers. It is neither delivered by actual persons not addressed to an individual or small audience of individuals. The communication is speedy permitting the advertiser to speak hundreds or thousands of people within a shorter period.
2. **Matter of record:** It is a matter of record furnishing information for the benefit of the buyers. It guides them to make a satisfactory purchase. The contents of the advertisement are what the advertisers want.
3. **Paid from of publicity:** Advertising is a paid form of presentation. The sponsor must pay for it to other person whose media is employed. Hence, it is commercial transaction. Only this feature differentiates advertising from publicity.
4. **Persuasion of the buyers:** The advertisement must be capable persuading the buyers to purchase the goods advertised. It is an art of influencing the human action; the awakening of the desire to possess and possess one's product.
5. **Identifiable with the sponsor:** Advertisements are identifiable with their sponsor or originator. The producer or the dealer sponsors the advertisement campaign by employing a suitable media. He also bears the expenses connected with it.

Objectives of Advertising

1. **To Create Demand:** Advertisement is used for introducing anew product in the market. New product needs introduction as potential customers have never used such product earlier. The advertisement prepares a ground for the new product. Most of the advertisement in cinema-halls or at radio and television serve this purpose.
2. **To Prepare Ground for New Product:** The main objective of the advertisement is to create a favourable climate for maintaining or improving sales. Customers are reminded about the product and the brand. Advertisement may induce new customers to buy the product by informing them about its qualities since it is possible that some of the customers may change their brands. Thus advertisement

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may bring new areas and customers to the company's product thereby increasing the company's share in the total market.

3. **To Face the Competition:** In modern days advertising is undertaken not only to inform the people about a product, but also to maintain and increase the demand of the product by weaning people away from rival products in the market. Under competitive conditions, advertisement helps to build up brand image and brand loyalty. When customers have developed brand loyalty, it becomes difficult for the middlemen to change.
4. **To Inform the Changes to the Customers:** Large scale advertising is often undertaken with the objective of creating or enhancing the goodwill of the advertising company. This increase the market receptiveness of the company's product. It helps the salesman to win customers easily.
5. **To Create or Enhance Goodwill:** The advertisement is made with the purpose of informing about the change to the consuming public. Whenever changes are made in the prices, channels of distribution or in the product by way of any improvement in quality, size, weight, brand, packing, etc., these must be informed to the public by the producer through advertisement. Such advertisements may also be used to maintain or improve sales.
6. **To Neutralise Competitor's Advertising:** Advertising is also used to compete with or neutralise competitor's advertising. When competitors are adopting intensive advertising as their promotional strategy, it is reasonable to follow similar practices to neutralise their effects. It is essential for the manufacturer to create a different image of his product. Advertising helps to create product differentiation by the particular message it sends and the image it creates.
7. **To Bar New Entrants:** Through long advertising a strongly built image helps to keep new entrants away. The advertisement builds up a certain monopoly for the product. The entrants find it difficult to enter. Whenever a new entrant plans for an investment in that field, he considers the existing market conditions. If he knows that the existing market is dominated by a few producers due to long standing advertisement effects, he may hesitate to make his investment.
8. **Link between Producer and Consumer:** To conclude, advertising aims at benefiting the producer, educating the consumer and supplementing the salesman. Above all it is a link between the products and the consumer.

Functions of Advertising

(A) Primary Functions

1. **Increase in Sales:** Advertisement increases sales of the product by securing greater consumption, attracting new buyers or introducing new uses for a commodity.
2. **Boost stocking:** Persuasion of dealers to stock the goods is one of the functions of advertisement.