RETAIL MANAGEMENT

BBA 5TH SEMESTER

INTRODUCTION TO RETAILING:

Liberalized financial and political environment in India has prompted a wave of large number of entrants into the country's rapidly growing retail industry during the past few years, without doubt, the retail industry in India is in the throes of radical restructuring. The fundamental drivers of change are increasing per capita income, growing GDP, availability of consumer finance and therefore irreversible. Retailing in general sense consists of business activities that are involved in buying and selling of goods and services to ultimate consumers for their own use – ranging from Bread butter to automobiles to apparels to airline tickets.

In India, after agriculture, the retail is the second largest sector that provides enough employment to Indian workforce. But retailing in India is at cross roads on the one side, retail sales are making new heights year after year and on the other side, traditional Indian retailers (Kirana stores) face numerous challenges. Experts believe that retail expansion in the coming five to seven years is expected to be stronger than our Indian GDP growth, driven by changing lifestyles and by strong income growth, which in turn will be supported by favorable demographic patterns and the extent to which organized retailers succeed in reaching lower down the income scale to reach potential consumers towards the bottom of the consumer pyramid. Use of plastic money, easy availability of consumer credit will also assist in boosting consumer demand.

Today, a vast majority of India's young population favors branded goods. With the spread of satellite televisions and visual media, urban life style trends have spread across the rural areas also. The shopping extravaganza of the Indian middle class especially the young population for clothing, eating outside and lust for modern living styles has unleashed new possibilities for retail growth even in the rural areas.

Thus, 85% of the retail boom which was focused only in the metros has started to infiltrate towards smaller cities and towns. Tier-II cities are already receiving focused attention of retailers and the other smaller towns and even villages are likely to join in the coming years. This is a positive trend, and the contribution of these tier-II cities to total organized retailing sales is expected to grow to 20-25%. One of the principal reasons behind the explosion of retail and its fragmented nature in the country is the fact that retailing is probably the primary form of disguised unemployment/underemployment in the country.

Given the already over-crowded agriculture sector, and the stagnating manufacturing sector, and the hard nature and relatively low wages of jobs in both, many million Indians are virtually forced into the services sector.

Meaning and Definition:

To better understand the role of retail format in an economy and its significance, let us first try to understand what actually retail is? And how it is different from wholesale business?

Retailing consists of selling merchandise from a permanent location (a retail store) in small quantities directly to the consumers. These consumers may be individual buyers or corporate. In the world of Trade and Commerce, a retailer purchases goods or merchandise in bulk from manufacturers directly and then sells in small quantities are known as Retail stores or shops.

Shops may be located in residential areas, colony streets, community centers or in modern shopping arcades/ malls. In fact, any organization selling merchandise to final consumers - whether a producer, wholesaler or a retailer -is doing retail business.

The American Marketing Association defines retailing as *"the activities involved in selling directly to the ultimate consumer for personal and non-business use. It embraces direct-to-customer sales activities of the producer, whether through his own stores or by house-to-house canvassing or by mail-order business. The retailer is an intermediary in the marketing channels and is a specialist who maintains contact with the consumer and the producer and is an important connecting link in the mechanism of marketing.*

Retailing includes all activities involved in selling goods or services to the final consumers for personal, non-business use.– **Phillip Kotler**

It does not take into account how the merchandise is being sold. While on the other hand, retail format is a blend of product range, pricing, marketing and the way the items are displayed. A retail-format will be suitable for a retailer does not depend upon market practice but upon retailer's budget, merchandise and the need of the locality. A good format draws more footfalls and helps retailer a platform to succeed and earn name and fame.

Characteristics of Retailing:

Retailing is different from other forms of business in the following ways:

- **(i)** It offers direct interaction with customers/end consumers.
- **(ii)** Sale volume is comparatively large in quantities but less in monetary value as compared to exporting/manufacturing.
- **(iii)** Customer service plays a vital role in the success of retail business.
- **(iv)** Sales promotions are offered at this point only.
- **(v)** In almost all countries, retail outlets are more than any other form of business.
- **(vi)** Location and layout are critical factors in retail business.
- **(vii)** It offers employment opportunity to all age groups irrespective of age and gender, qualification or religion etc.

EVOLUTION OF RETAILING IN INDIA

The beginning of retail business in India can be traced back to the emergence of Weekly Bazaars and Rural Fairs (Melas). These weekly bazaars, used to be big attraction to both urban and rural people by catering their day to day requirements of grocery, utensils, spices, grain, clothing, live stock, wooden/handmade items, handmade candles, fruits etc. besides serving source of entertainment.

In comparison to weekly markets, village fairs usually were bigger in size with a wide variety of goods sold from handmade items, food, clothing, cosmetics and small consumer durables. Then the traditional age saw the emergence of the neighborhood 'kirana' store (usually known as Convenience stores or Mom-and-pop store) to cater to convenience of the Indian consumers.

Ultimately the government came forward and supported the rural retail and many local franchise stores. They came to nation's main commerce stream with the financial and marketing support of Khadi & Village Industries Commission (KVIC). Today KVIC has a nationwide chain of more than 7000 stores in India. This phase also eyewitnesses the emergence of multi level shopping stores with parking facility.

Then with the opening up of economy in 1980s, the retailing in India saw huge change in terms of its size and functioning. S Kumar's, Bombay Dyeing and Raymonds were among few companies to come up with retail chains in textile sector. Later Titan (a Tata Product) launched retail showrooms in various parts of the country under organized form of retailing. As time passed, the new retail players moved on from manufacturing to pure retailing. Retail outlets such as Food world in FMCG, Crossword in books, Music World and Planet M in Music, entered the market during mid 1995.

Malls emerged in metres and big cities like Hyderabad giving a world-class experience to the customers under one roof. Supermarkets and Hypermarkets started emerging with the continuous improvement in the distribution channels, supply chain management, back-end and technology operations, etc. Today India has a host of both small and large formats with exclusive stores having national and international brands under one roof catering to all sections of the society. These new retail formats such as super markets and hyper markets are constantly trying to provide the customer with the 3 V's. (Variety, Value, and Volume).

Over the last couple of years, Indian retail industry has witnessed a ridiculous growth rate due to the entry of various international quality formats to suit the Indian middle class, by offering affordable merchandise under great width and depth. Today Indian retail industry is the second largest employer in the country with almost over 12 million retail stores in India.

Although the retail sector is still dominated by unorganized retail sector, organized retailing is growing fast at almost 25-30% per annum and is believed to touch a figure of Rs. 2,00,000 crore by 2010 . The Indian economy is projected to grow between 10-11 % in 2011-12 having grown at a stable rate of around 6-7% over the last decade.

RETAILING IN INDIA

Retailing today is the fastest growing sectors in the global economy and is under transition phase; not only in South Asian countries like India and China but throughout the world. The increased popularity of organized retailing is mainly because of the consumers' changing behavior. This change has become possible due to double income families, breakup of joint family concept, changing lifestyles and favorable demographic patterns. Today consumers prefer to shop at places where they can get grocery, food, entertainment and others daily routine items under one roof. This has made retailing the most attractive sector of the Indian economy.

India is known as the '**nation of shops'**. After agriculture, retailing is the second largest employer in India. Approximately, over 12 million shops exist in various parts of the country. These shops are totally unorganized, independent, owned-managed outlets. Presence of unorganized/traditional retailing is highly prominent in small towns and cities with main presence of neighborhood "kirana" stores, push-cart vendors, "melas" and "mandis".

Organized formats are only in the initial stages of adoption in these regions. Leading retail players in the industry are beginning to explore these markets and the rural consumers are slowly beginning to embrace the newer organized retail formats.

Due to rising per capita income and fast emerging middle-class has made India the favorable destination for retailing. New and new malls are coming up in the urban parts of the country. Franchisee' outlets are mushrooming. More and more business houses are venturing into the retail industry. New retail formats are emerging and even changing the traditional face of jewellery shops, furniture shops, book stores and pharmacy shops. People are spending their major portion of income on food and clothing. The share was 72.8% in 2006, worth approximately 9861.4 billion; while non-food and clothing sales was worth 3476.8 billion and this trend seems to continue in the years to come.

The Indian retail industry is broadly divided into two segments:

(i) *Organized retailing,* and (ii) *Unorganized retailing.*

A)Organized Retailing:

In India, traditional forms of independent owned small business and co-operatives have lost their earlier charm. Though the arrival of organized retail in India is a bit late but it is increasing by leaps and bounds. In 2010, the retail industry in India was amounted to Rs 20,000 billion is expected to cross Rs 50,000 billion by 2015 in which organized sector will cross 3,000 million.

The most significant period of growth for the sector was between years 2000 and 2006, when the sector revenues increased by about 93.5 per cent translating to an average annual growth of 13.3 per cent. The sector's growth was partly a reflection of the impressive Indian economic growth and overall rise in income levels of consumers. Hence it is believed that organized retail in India is expected to scale up to meet global standards over the next five years.

Retail Growth across Segments:

Unlike Europe, Indian Retailing is mainly classified by the type of products retailed, as opposed to the different retail formats in operation. If we study these retail verticals, one may find that the Food and Beverages vertical only accounts nearly 75 (as shown in figure 1.6 while figure 1.7 depicts share of organized retail under various retail verticals) per cent of the total retail market. Amongst all the present groups, this category has the highest consumer demand across all income levels with food, grocery and allied products largely purchased from the local stores or push-cart vendors.

Next comes 'apparels and consumer durables' being the fastest growing verticals in the retail sector. Cell phones as a product category has witnessed the highest growth in consumer demand amongst all retail product offerings, with increasing penetration of telecommunications in towns and villages. The Telecommunications sector has been adding on an average 5 million new users every month. The other product categories are gaining attraction predominantly in the urban areas and emerging cities, with increasing average income and spending power of young urban India.

Organized retailing in India is mainly present in metro cities only. But few players are now eyeing Tier II and Tier III cities to explore the opportunities. According to India Retail Report, 2007, the Indian retail industry is valued at $270 billion with organized retailing contributing 4.5 percent and is expected to see a growth at a CAGR of 37 % .

The growth in Indian organized retail sector is mainly because of shift in consumer behavior. This change has come due to the following reasons:

1. *Rapidly increasing income level*

2. *Changes in lifestyle*

3. *Favorable pattern of geography*

4. *Retail offers one-roof shopping experience*

5. *Emergence of nuclear family concept*

6. *Improved purchasing power of Indian middle class*

7. *Presence of domestic and foreign players*

8. *Expansion of family owned businesses*

9. *Effect of LPG (Liberalization, Privatization and Globalization)*

10. *Building chains around brands*

11. *Mass inflow of FDI in Indian retail sectors*

12. *Liberalization of the Indian economy which has led to the opening up of the market for consumer goods has helped the MNC brands like Kellogg, Unilever, Nestle, etc. to make significant inroads into the vast consumer market by offering a wide range of choices to the Indian consumers.*

13. *Emergence of new business sectors like ICT, engineering firms, outsourcing etc*

B) Unorganized Retailing:

Traditional retailing continues to be the backbone of the Indian retail industry, with traditional/unorganized retailing contributing to over 95 per cent of total retail revenues. The prototypical 'baniya' outlets or the corner store formats comprise a key part of Indian retail store formats mostly run as small family businesses. The unorganized retailing comprises of 'mom and pop' stores or 'kirana' stores.

These are very small shops located near the residential areas, popularly known as 'baniya shops'. The UMP (Unique Marketing Preposition) of these stores is location advantage. These shop owners in order to retain their customers can even go to their customers' houses to get orders. Trading hours are flexible and the retailer to consumer ratio is very low due to the presence of several 'kirana' stores in the locality. Credit facility varies from store to store and customer to customer.

Customers' reliability and relation with the shopkeeper is enough to avail credit facility. Branding is not the criterion to attract the customers, as customers prefer low-priced products. Further retailer's suggestion and recommendation regarding any product or service plays a significant role in the customer's purchase decision.

Traditionally, retailers procure merchandise from wholesalers in bulk and sell in small quantities to the ultimate consumers. Figure 1.11 depicts the percentage of organized and unorganized retail across the world among leading economies. It is very clear from the picture that the gap between organized and unorganized retailing is very large. Organized retailing in India holds only 3 % share in the total retail business while China 20%, Indonesia 30%, Thailand 40%, Taiwan 81% and US 85%.

Following are the recent trends that have stood out in recent years and continue to grow further:

1. New retail formats and combinations are emerging and have opened a new world of opportunities for Indian youth. Due to huge amounts of new investments and decreasing charm for 'kirana' stores, the retail sector is expected to grow. Bank branches, bill counters, saloons, internet cafe have opened in the malls. The 'cash and carry' activities are expected to grab majority of attention.
2. Internet age, increased computer awareness and shrinking usage charges have made people enabled buy things online resulting in growth of non-store retailing. Retailers are informing about new arrivals/fresh stock through e-mails, television, SMS and telephones to which anyone can respond to through toll-free 16 digit numbers.
3. Specialty stores like 'Reliance Digital', 'Music World' 'Metal Junctions', 'Nokia World' and 'Pantaloons' have their presence in most of the malls in the country. Departmental stores have given way to malls, having a mixture of large and small retailers offering varied brands for each and every section of the society.
4. Sales promotion channels are increasingly becoming professional and targeting differently to different lifestyle groups. Newer and newer promotional techniques are emerging. Event managers are hired and visual merchandising professionals are consulted.

Today retailers are not sticking to traditional methods of promoting a sale but personal selling door-to-door selling, free home delivery and payment through plastic money have emerged and is being widely used. Use of advanced technology is not the matter of affordability but is the reason for survival. Retailers are using computers, electronic devices, check out scanning systems, tag guns, vending machines, money counters and digital signage to enhance store's productivity. CCTVs, cameras, sensors and theft alarms are being used to prevent store theft.

5. Today retail organizations are not only targeting big cities but are considering tier II and tier III cities like Jaipur, Pune, Shimla, Karnal, Panipat, Coimbatore, Baroda, Chandigarh etc also. The South Indian states are one step ahead when it comes to shopping in the supermarkets for day-to-day needs and also have been influencing other states where supermarkets are being established.

However, the main center of organized retailing is undeniably Chennai, which once was considered as a ‘conservative’, ‘traditional’ and cost-sensitive’ market. The success of Chennai as retail hub has surprised all but list of factors contributed to its success. Reasonable real estate prices, double household income, increased presence of MNCs and industrial boom has led to the emergence of new residential societies resulting in increased purchasing power and demands for day- to-day goods under one roof.

6. Use of Plastic Money: Use of credit and debit cards for buying merchandise is relatively a new phenomenon but is gaining popularity immensely. Credit and debit cards are commonly known as ‘plastic money’. Today, especially in metros, retail spending is mainly done by plastic cards, accounting for over 45 percent and is likely to touch 65 percent over the next five years.

7. Distance – No bar: Thanks to increased public transportation, better roads, highways and an overall improvement in the transportation infrastructure that has enabled customers to visit from one place to another smoothly than ever before. Now for want of quality goods, a customer can travel several kilometers to reach a particular store.

8. Partnerships and tie-ups among retailers, real estate developers, brands, franchisees, and financers have become the fashion of the day to spread risk related to huge investments and uncertainty.

9. The government infrastructure support, relaxation on foreign direct investments further has accelerated the growth of Indian organized retail sector. Consequently, the shopping malls are coming up throughout the country in a big way.

10. Sophisticated customers:Due to Internet revolution, customers are becoming conversant about the products they are interested in buying. For example, over thirty percent of Indian consumers collect information from the Internet about prices, features, guarantee/warranty options before visiting any store for the actual purchase. This is particularly true in case of automobiles, cell phones, consumer electronics, hotel bookings, travel packages etc. This suggested the retailers that they need to respond to varying consumer needs and growing assortment.

11. The gap between organized and unorganized (traditional ‘kirana’ shopping) retailing is coming close due to mall revolution and increasing Indian middle class in terms of size and income. According to a study conducted by ‘Deloitte Haskins and Sells’, one of the four largest accounting firms in the world, Indian retailing is growing at a faster pace as was expected from it and could constitute 25% of the total retail sector by 2011. The study further reveals that new malls, increased disposable income and easy access to credit facilities have led to organized retailing to record all time high rate of growth of 50% per annum in 2007. The traditional ‘kirana’ stores by introducing modern retailing concepts such as self service, free home delivery system, credit facility and other value added services have been trying to reshape themselves.

12. Need for retailing skills:Undoubtedly, retailing in India is still in nascent stage. The success of organized retailing is yet to be proved. The success will be felt once an equitable stage is achieved. This requires enough store size, traffic flow, and revenue earned, but besides these factors, retailers have started concentrating on recruiting qualified and trained retail staff

EMERGING TRENDS IN RETAILING IN INDIA

The top seven trends in retailing in India are as follows: 1. Shift from Unorganized to Organized Retailing 2. Store Design 3. Competition 4. New Form of Retailing 5. Technology 6. Consumer Buying Behaviour 7. Entertainment.

1. Shift from Unorganized to Organized Retailing:

Retailing in India is thoroughly unorganized. There is no supply chain management perspective. The key factors that drive the growth of organized retailing in India are higher disposable incomes, ris-ing urbanization, growing consumerism, nuclear family structure, growing number of educated and employed women population.

2. Store Design:

Irrespective of the format, the biggest challenge for organized retailing is to create an environment that pulls in people and makes them spend more time in shopping and also increases the amount of impulse shopping.

3. Competition:

Competition is increasing between different types of retailers. Discount stores, departmental stores, supermarkets, etc. all compete for the same customers. The small independent retailers survive by pro-viding personal services to the customers.

4. New Form of Retailing:

Modem malls made their entry into India in the late 1990s, with the establishment of Crossroads in Mumbai and Ansal Plaza in Delhi. India’s first true shopping mall, ‘Crossroads’—complete with food courts, recreation facilities and large car parking space—was inaugurated as late as 1999 in Mumbai. Malls have given a new dimension to shopping experience.

5. Technology:

Technology today has become a competitive tool. It is the technology that helps the organized retailer to score over the unorganized players, giving both cost and service advantages. Technology has also made possible the growth of non-store retailing.

6. Consumer Buying Behaviour:

In India, there are no uniform trends with respect to consumer buying behaviour. There are visible differences in the shopping pattern of consumers across income segments. Organized retailing has definitely made headway in the upper class.However, even in this segment, items such as milk, fruits, vegetables and a significant portion of 'through-the-month' purchases seem to be done at tra-ditional outlets. Organized retail outlets seem to be associated with branded items/special purchases. Organized retailing does not seem to have made an impact on the lower class, except for 'curiosity' shopping.

7. Entertainment:

Modem retail formats provide a place for people to assemble, and a means of entertainment, by provid-ing facilities such as food courts, mini theatre, children's play spaces and coffee shops. These facilities help the customers enjoy shopping.

FACTORS BEHIND THE CHANGE OF INDIAN RETAIL INDUSTRY.

Organised retailing is a recent development. It is the outcome of socio-economic 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:

1. 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.

2. 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.

3. 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.

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

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

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. Un-organised 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.

UNIT II

RETAIL STORES: STORE BASED RETAILER AND NON-STORE RETAILING

RETAIL STORE is a place of business usually owned and operated by a retailer but sometimes owned and operated by a manufacturer or by someone other than a retailer in which merchandise is sold primarily to ultimate consumers.

Retail stores can be broadly classified into two categories,

i.e*. store based retailers* and *non-store based retailers.*

A. Store based retailer: Store based retailer is again classified,

I. On the basis of ownership:

1. Independent retailer: An independent retailer is one who owns and operates only one retail outlet. Such stores can be seen under proprietorship. The individual retailer can easily enter into a retail market. The owner is assisted by local staff or his family members. These kinds of shops are passed from one generation to other generation. The independent retailer maintains a good relationship with the customers. Small scale retail business: Single owners can easily start and manage small business units profitably with the help of one or two assistants. It can be a grocery store, stationery shop, or a cloth store, etc.

2. A chain retailer: When two or more retail outlets are under a common ownership it is called a retail chain. For example: One of a number of retail stores under the same ownership and dealing in the same merchandise. It is called chain retailing. Chain Stores are groups of retail stores engaged in the same general field of business that operate under the same ownership or management, chain stores are retail outlets owned by one firm and spread nationwide. For example, Van Heusen, Food world, Shopper's stop etc.

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

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

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

II. On the Basis of Merchandise offered

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

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

3. Super Market: These are retail organisations that provide low cost high volume self-service operation to meet consumer requirements. Most of the super market charge lower price. Example: Subhiksha. They are the large self-service outlets, catering to varied shopper needs. These are located in or near residential high streets. A supermarket, also called a grocery store, is a self-service store offering a wide variety of food and household merchandise, organized into department.

It is larger in size and has a wider selection than a traditional grocery store and it is smaller than a hypermarket or superstore. Supermarkets usually offer products at low prices by reducing their economic margins.

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

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

B. Non-Store Retailing:

A direct relationship of the retailer with his customer is on the basis of non-store Retailing. In India around twenty percent of retail sale is from non-store. The proportion of non store is growing steadily Non Store retail organizations focus on establishing direct contact with the consumer. This may be both personal (direct personal selling) and non personal TV, the Internet, mail, catalog or phone). It is classified as under:

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

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

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

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

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

STORE PLANNING

Store Design and Layout - Different Floor Plans and Layouts

Opening a retail store is no joke and requires meticulous planning and detailed knowledge.

Location Make sure your store is in a prime location and is easily accessible to the end-users. Do not open a store at a secluded place.

Floor Plan The retailer must plan out each and everything well, the location of the shelves or racks to display the merchandise, the position of the mannequins or the cash counter and so on.

1. Straight Floor 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.

2. Diagonal Floor 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.

3.Angular Floor Plan The fixtures and walls are given a curved look to add to the style of the store. Angular floor plan gives a more sophisticated look to the store. Such layouts are often seen in high end stores.

4.Geometric Floor 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.

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

Tips for Store Design and Layout

- The signage displaying the name and logo of the store must be installed at a place where it is visible to all, even from a distance. Don’t add too much information.
- The store must offer a positive ambience to the customers. The customers must leave the store with a smile.
- Make sure the mannequins are according to the target market and display the latest trends. The clothes should look fitted on the dummies without using unnecessary pins. The position of the dummies must be changed from time to time to avoid monotony.

- The trial rooms should have mirrors and must be kept clean. Do not dump unnecessary boxes or hangers in the dressing room.
- The retailer must choose the right colour for the walls to set the mood of the customers. Prefer light and subtle shades.
- The fixtures or furniture should not act as an object of obstacle. Don't unnecessary add too many types of furniture at your store.
- The merchandise should be well arranged and organized on the racks assigned for them. The shelves must carry necessary labels for the customers to easily locate the products they need. Make sure the products do not fall off the shelves.
- Never play loud music at the store.
- The store should be adequately lit so that the products are easily visible to the customers. Replace burned out lights immediately.
- The floor tiles, ceilings, carpet and the racks should be kept clean and stain free.
- There should be no bad odour at the store as it irritates the customers.
- Do not stock anything at the entrance or exit of the store to block the way of the customers. The customers should be able to move freely in the store.

The retailer must plan his store in a way which minimizes theft or shop lifting.

- Merchandise should never be displayed at the entrance or exit of the store.
- Expensive products like watches, jewellery, precious stones, mobile handsets and so on must be kept in locked cabinets.
- Install cameras, CCTVs to have a closed look on the customers.
- Instruct the store manager or the sales representatives to try and assist all the customers who come for shopping.
- Ask the customers to deposit their carry bags at the entrance itself.
- Do not allow the customers to carry more than three dresses at one time to the trial room.

LOCATION PLANNING & IMPORTANCE

Site analysis is an integral part in determining the sales potential that generates the major traffic flow for a retail store. With the emergence of various retail formats and product categories, presents a wide choice of locations. Further, the mushrooming of planned shopping centers and malls present an enormous challenge before a retailer. Though a retailer tries his level best to select the site to locate a store, these factors must be considered while selecting a particular site. The major among them are:

1. Connectivity and ease of traffic flow: These are the two important issues that a retailer must consider while selecting a site. There may be good merchandising, good customer service, and good interiors but if the man who has to visit cannot reach the store easily, will not be a good preposition. The store sites you have short listed should be well connected through roads, trains and means of public transport. Like Karol Bagh in Delhi is well connected with roads and rail traffic with the neighboring cities.

2. Parking facility: Parking today has become the most uncontrollable civic problem for not only metro / big cities but even the small cities and towns are facing the same problem. In a store where tens to hundreds of customers come to shop with their vehicles (two or four wheeler), require space to accommodate their vehicles. In absence of proper and safe parking arrangement, customers hesitate to visit the store, knowing parking today has become the reason for public clashes, stealing and other cases of road rage. There are several ratios that are used to determine the provision for parking lot.

For a food store, retailers throughout the globe usually apply the ratio of 3:1, which means 3 sq.ft of parking space for every sq. ft of retail store. One thing may be remembered that no ratio is universal in real life sense but it depends on the product to be sold and the place where your store will be located, i.e. nearby public parking lots.

3. Cost effectiveness: An important factor to be considered before taking the decision on a particular site is the cost consideration. A retailer must remember that so called 'good site' is always a costly affair and retailer should try to go for that because ignorance to such site may be the reason for failure of your store. Retailer may manage the funds to have such site but one thing should not be forgotten that space cost is a combination of mortgage/rent, facilities, lease hold improvements, usual decoration, wear and tear, insurance, security and so on. Therefore, selecting site location only on the basis of cost factor alone may be risky.

4. Presence of competitors: While selecting a site, it is beneficial to check the compatibility of the retail store with the other nearby retail stores in that area. It includes analyzing the type and number of competitors, other industrial parks, shopping complexes, franchisee chains, individual stores and other departmental stores, setting up a new store among established competition means new store will have its market share from the existing ones. Further, under intense competitive area, newcomer must come with unique merchandise, wide merchandise assortment and high level customer service.

Other factors to be considered are:

i. *Visibility of the store*

ii. *Ease of traffic flow*

iii. *Local laws and regulations*

iv. *Amenities available in that area*

v. *Buy/lease arrangements*

vi. *State of infrastructure (water, road and electricity)*

Importance of location

Importance of Location in Retail Business

- Retail store location is also an important factor for the marketing team to consider while setting retail marketing strategy. Here are some reasons −
- Business location is a unique factor which the competitors cannot imitate. Hence, it can give a strong competitive advantage.
- Selection of retail location is a long-term decision.
- It requires long-term capital investment.
- Good location is the key element for attracting customers to the outlet.
- A well-located store makes supply and distribution easier.
- Locations can help to change customers' buying habits.

THE RETAILING IMAGE MIX

So how do we take our retail planning strategy and put it into an actionable plan? Part of the success of any retailer is taking that strategic plan and breaking it apart into actionable and meaningful steps that will lead to success. A well thought out and planned retail mix provides the retailer with a focused position and helps differentiate them from the competition. A retail mix, defined, is the marketing plan put in place to address key factors such as location, price, personnel, services, and goods. Retail Mix is also referred to as the "6 P's".

One important thing to keep in mind is that any competitive advantages you have in your strategy should help form your retail mix. In addition, the retail mix should always have the target market in mind. The retail mix will differ based on the store and the type of product offered to the customer. Discussing and evaluating your retail mix in the organization offers a number of benefits. First, you are addressing the needs of your target market. In essence it forces the retailer to make the customer top of mind and foremost in all strategy decisions. It also allows for a business planning strategy within the retailer. By approaching all six components the retailer is ensuring they are able to meet the needs of the customer using all these components. Lastly, it allows the retailer to respond to competition. For example, a key competitor for JCPenney is Kohl's. If Kohl's drops prices a national brand such as Levi's, JCPenney might follow suit.

Let’s now take a look at the components of the retail mix that are ultimately the pieces of the retailer’s strategy.

1. **Price** What is my pricing strategy? What is my markup strategy and how does that affect my overall retail price? You must make sure you calculate your retail price based on the markup you receive and not the costs involved. You also want to think about profitability and relate this back to the goals of your area as well as your organization.
2. **Promotion** What promotional tools will you use to influence the consumer’s purchase decision and, overall, their intention to purchase? This is where you also want to make sure you include a budget that shows where resources are allocated as well as a time table for the promotional activities. Remember to include specific examples of your proposed promotional activities. Some examples include online promotions, print advertising, and any television advertising.
3. **Place** What are the hours of operation for your store? How many employees do you need and when do you need them? This is where you can also include a general description of the responsibilities of each associate along with some type of detailed info on the organization’s structure. This could also be dependent upon the area in which you are located as well as the needs of the customer.
4. **Product** What type of product do you intend to carry? What is the depth (how much you will carry of an item) as well as the breadth (number of SKUs) you will carry in your assortment? What is your anticipated turn as well as inventory levels? Later we will discuss in more detail the importance of inventory turnover and how it contributes to profitability. This is where you want to make sure you have adequate inventory levels to meet customer demand. Too much product could lead to excessive markdowns which deteriorates profitability while too little desired merchandise might lead to missed sales opportunities. Does your product meet your customer’s needs?
5. **Presentation** Will you have a free-standing location? Will you be located in the mall? How is the location you have chosen a good fit for your target market? It is during this time you will also want to provide a thorough trade analysis that shows the population in the area and how they are a good fit for your business.
6. **6. Store Image** What is the layout of your store? What are the graphics that set your store apart? What does the signage look like inside and outside of your store? These are all key elements you want to consider.

Material Handling in Retail Store (4 Principles)

There is no best criterion to perform material handling activities successfully. But if material handling is planned and well integrated with production activities, it results in maximum overall operating efficiency.

1. Planning Principle: Efficient material handling is the result of efficient planning. Planning not only involves the strategic objectives of the organization but also the existing methods and problems, physical and economic constraints, and future requirements and goals. Therefore, retailers should plan a detailed layout which includes retail's basic requirements, various alternates, and the emergency plans for all possible activities related to material handling and storage.

It also includes following supportive principles such as:

(i) Preparation and selection of best operational sequence and layout with regard to shelves, racks, and cabins which includes the store's possible operations and has potential of arranging material in an effective way. (Layout Principle)

(ii) To effectively utilized the available space in the best possible manner. (Space Utilization Principle)

(iii) To minimize unpleasant effects on the environment while selecting any material handling devise or equipment. (Ecology Principle)

(iv) Delegate planning responsibility of material handling to a separate department/ person. (Delegation of Responsibility Principle)

2. Operating Principles: A material handling is the system developed and accepted for controlling the investments in inventory. The investment in material handling is normally soaring in most of the retail stores. Material handling is a broad concept which includes merchandise buying, retail positioning, selling and distribution. With proper planning and control, the material handling complications can be drastically solved.

This requires a system approach and it should include the followings:

(i) Arrange and move the materials in unit loads rather than on individual basis. (Unit load handling principle)

(ii) Shifting materials from one place to another within the store while considering limitations related to material safety, floor damage and loss. (Gravity principle)

(iii) Re-handling and backtracking movements should be avoided. Therefore, need is to prepare an operational plan and positioning blueprint for the entire feasible solutions. It will help in selection of alternate arrangements that best integrate resources and capabilities. (Flow of Materials principles)

3. Equipment Principle: Material handling equipment is used for the movement and storage of material within a store. There are several types of equipment available, whose suitability depends on several factors like nature of job, load capacity, ease of operation, speed of operation, space available etc.

Equipment principle can basically be described as:

(i) Select appropriate material handling equipment to ensure safe working conditions. (Safety principle)

(ii) Opting those techniques and equipment which are able to perform a number of operations and tasks at a time without disturbing other arrangements. (Flexibility Principle)

(iii) To standardize material handling techniques and equipment in the store whenever and wherever deemed fit. (Standardization Principle)

(iv) To mechanize the material handling methods whenever it is feasible and to increase store's economy and efficiency. (Mechanization Principle)

(v) Be ready with a preventive maintenance plan and pending repairs for all material handling equipment's. Purpose is that prevention is always better then cure. (Maintenance Principle)

(vi) Make handling simple that should eliminate wastes, accidents, errors and omissions by separating or combining some homogeneous activities. (Simplification Principle)

(vii) Organize a long term and cost effective for replacing obsolete and abandoned techniques and methods. This will result in increase efficiency and increased productivity. (Obsolescence Principle)

4. Costing Principle: This principle implies that a store should always compare the cost justification of selected/short listed equipment's by its economic life and effectiveness when measured in terms of rupee per unit handled.

(i) Selection of equipment for total lowest cost. (Economic Principle)

(ii) Amortize the equipment/machinery within a reasonable period of time. (Amortization Principle)

(iii) Calculate your handling cost in advance (Handling Cost Appraisal)

EFFECTIVE RETAIL SPACE MANAGEMENT

Retail space management is a process of using the space available in the store effectively. The management of space is important as a retailer is required to display a large number of products in limited space available in store. In simple words, you can say that space management is a process of utilizing store space to attract more and more customers and providing them a pleasing shopping experience because you cannot deny that only a happy customer can bring more sales.

Space management is one of the crucial challenges faced by today’s retail managers. A well-organized shopping place increases productivity of inventory, enhances customers’ shopping experience, reduces operating costs, and increases financial performance of the retail store. It also elevates the chances of customer loyalty.

Let us see, how space management is important and how retailers manage it.

Space Management : It is the process of managing the floor space adequately to facilitate the customers and to increase the sale. Since store space is a limited resource, it needs to be used wisely. Space management is very crucial in retail as the sales volume and gross profitability depends on the amount of space used to generate those sales.

Optimum Space Use

While allocating the space to various products, the managers need to consider the following points −

- Product Category −
    - **Profit builders** − High profit margins-low sales products. Allocate quality space rather than quantity.
    - **Star performers** − Products exceeding sales and profit margins. Allocate large amount of quality space.
    - **Space wasters** − Low sales-low profit margins products. Put them at the top or bottom of shelves.
    - **Traffic builders** − High sales-low profit margins products. These products need to be displayed close to impulse products.
- Size, shape, and weight of the product.
- Product adjacencies − It means which products can coexist on display?
- Product life on the shelf.

Retail Floor Space

Here are the steps to take into consideration for using floor space effectively −

- Measure the total area of space available.
- Divide this area into selling and non-selling areas such as aisle, storage, promotional displays, customer support cell, (trial rooms in case of clothing retail) and billing counters.
- Create a **Planogram**, a pictorial diagram that depicts how and where to place specific retail products on shelves or displays in order to increase customer purchases.
- Allocate the selling space to each product category. Determine the amount of space for a particular category by considering historical and forecasted sales data. Determine the space for billing counter by referring historical customer volume data. In case of clothing retail, allocate a separate space for trial rooms that is near the product display but away from the billing area.
- Determine the location of the product categories within the space. This helps the customers to locate the required product easily.
- Decide product adjacencies logically. This facilitates multiple product purchase. For example, pasta sauces and spices are kept near raw pasta packets.
- Make use of irregular shaped corner space wisely. Some products such as domestic cleaning devices or garden furniture can stand in a corner.
- Allocate space for promotional displays and schemes facing towards road to notify and attract the customers. Use glass walls or doors wisely for promotion.

Space management is one of the crucial challenges faced by today’s retail managers. A well-organized shopping place increases productivity of inventory, enhances customers’ shopping experience, reduces operating costs, and increases financial performance of the retail store. It also elevates the chances of customer loyalty.

UNIT III

RETAIL MARKETING

Retail marketing comprises the activities related to selling products to the consumers through chan-nels such as stores, malls, kiosks, vending machines, or other fixed locations. In contrast, direct market-ing to consumers attempts to complete a sale through phone, mail, or web site sales.

The retail marketing plays a major role in the world of economy. It involves the direct selling of goods and services to the people. In retail marketing, the outlets are organized relatively one very large scale, and then the goods are supplied by these stores to the end-user who is ultimately the consumers. In general, retail marketing is one of the many applications of the marketing functions that do the distribution of the products to their customers. One of the major benefits of retail marketing is that it provides customers with convenience and comfort.

It compromises of such activities that are related to the sales of the product. The selling of the products takes place through the various channels like malls, small and large stores, and direct attempts to marketing to the consumers by calling them or emailing them, etc.

ADVERTISING

Retail Advertising

It is advertising the product or service on communication media. The retailer can advertise on electronic media such as television, radio, mobile, and Internet. Print media such as newspaper, brochures, handbills, product catalogues, are also popular among retailers to publish Ads. Retail advertising enables the retailer to reach out to a large number of people and create awareness among them about the product's availability.

The success of an Ad on a particular media depends upon the literacy level of the customers, their age and location.

Advertising is a strong medium which influences the buying decision of the customer and prompts him to shop. The retailer must ensure to communicate the USPs of his brand to the target customers well through various modes of advertising. The advertisement must be eye-catching for the end-users to click on them.

Sales Promotions Sales promotion is the communication strategy designed to act directly as an inducement, as added value, or as incentive for the product to the customer. Advertising may create desire to possess the product but sales promotion actually helps conversion to sales.

Sales promotion drives existing customers' loyalty, attracts new customers, influences customers' buying behavior, and increases sales. It includes the following techniques −

Point of Purchase (POP) Displays They are Ads placed near the merchandise to promote the sale where the customer makes buying decision.

Point of Sale (POS) Displays They are Ads placed near the checkout or billing counters to promote on-the-fly purchase that the customer makes at the last minute.

Promotional Prices Some techniques such as Loss Leading (where irrespective of how luxurious the product is, retailer offers steep discount), Markdown (where retailer brings down the prices for wide range of products in the store), and Bundle Pricing (Buy one get one free or Get 3 pay for 1) are used in promotional pricing.

Loyalty Programs Retailers conduct loyalty program for the customers who make frequent purchase by offering first access to new products, free coupons, or special discounted price on particular days.

VARIOUS OTHER WAYS OF ADVERTISING

Billboards Billboard is one of the best ways of out of home advertising.

Out of home advertising refers to creating awareness amongst the individuals when they are out of their homes.

- Install hoardings, banners, bill boards at strategic locations such as heavy traffic areas, major crossings, railway stations, bus stands etc to entice the customers. The retailer must ensure that the banners get noticed and bring results.
- Newspapers, Television and radio are also effective ways to promote a brand. Television reaches a wider audience and makes the store popular amongst all.
- The advertisement should be a visual treat, appeal the customers and prompt them to visit the store.

Coupons Coupons are an effective way of promoting a brand as they offer some kind of financial benefit to the customers in the form of discounts and rebates and thus attracting them into the store.

- Coupons help in furthering the brand image of the retail store without much investment.
- More and more people visit the stores to redeem the coupons, thus making the brand popular.
- Discounts, sale, rebates are good ways to promote a brand.

Private Label Private label is an effective way to promote one's brand at low costs.

- Products manufactured by one company but sold under another company's brand name are called Private Label Products.
- Create your own website.
- Print your own calendars, diaries, planners, table tops with your store's name, address as well as logo. Such an activity creates awareness among individuals.
- Always keep your visiting cards handy and distribute them to as many people as you can.
- In the current scenario, social networking sites go a long way in promoting brands. Create communities and invite people to join the same.
- Customer loyalty programs help to retain customers and attract new individuals to the store.
- Create a positive ambience at the store. Nothing works better than customer satisfaction in the retail industry. One satisfied customer brings ten new customers along with him.

STORE POSITIONING IN RETAIL MANAGEMENT

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 ?

<u>1. Ensuring the Store Visibility</u>

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 theÂ short-runÂ 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.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

It is identification, satisfaction, and management of customers' stated and unstated needs and demands by the retailer for mutual benefit.

It include four prominent phases −

Develop and Customize − Develop products or services to meet customers' requirements. Customize the same according to customer segments.

Interact and Deliver − Communicate with existing and prospective customers and deliver the product or service with the added value.

Acquire and Retain − Acquire new customers and retain the loyal ones.

Understand and Differentiate − Understand customers' needs, differentiate policies and products depending on customer behavior and preferences.

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. The 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:

- 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 my the 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 stronger than another network, the better the success of the marketing effort. 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.

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 is 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 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.

MERCHANDISE BUYING AND HANDLING FUNCTION

Merchandise buying and holding is a vital part of implementing merchandise plans. This is a step by step process and involves following stages:

(i) Collecting information,

(ii) Selecting vendors,

(iii) Evaluating merchandise,

(iv) Negotiation with vendors,

(v) Buying merchandise,

(vi) Receiving and stocking merchandise,

(vii) Re-ordering, and

(viii) Re-evaluating,

These steps are explained in detail below:

1. Collecting Information: This is a very first step of merchandise buying and handling process. Once the firm's overall merchandise plans are defined, exact information about current market needs and potential vendors is required. This is essential as a retailer before buying merchandise would like to know:

(i) What consumers are looking for

,(ii) Where the vendors are located and what is their goodwill in the market, and

(iii) What their competitors are offering. After understanding these aspects, retailer will be in a position to decide what he wants to buy and from whom.

For collecting information, a retailer/buyer has several possible sources defined as internal and external sources.

Internal and External Sources

It depends on the retailer (buyer) which source he would like to choose. Normally, global retailers rely on both internal and external sources to have the better picture of consumers' requirements. Undoubtedly, the most valuable source is the 'study of consumers'. Global retailers like Wall Mart, Spencer and Noodle Ki Doodle have proper consumer study divisions those continuously monitor the consumers' lifestyles, living habits and their changing demographics in order to study the consumer demand directly.
Vendors (manufacturers and wholesalers), on the other hand, do their own projections about the future sales and market demand, while finalizing the 'buying deal' with retailers. Vendors present these projections through pie-charts, bar-diagrams and various two and/ or three dimensional charts.

They also inform the retailers how much promotional support will be provided to them which may have major impact on retailers' buying decision. But retailers must understand one thing that they are the one who have to interact with the customers and are responsible for satisfying the needs of the target market. Therefore, they should not depend on vendors' projections only, but may use them for reference.

As retailers are entirely responsible for complete sales projections and merchandise plans in their own category, they should direct their sales' employees to get a view of customers' potential demand by visiting suppliers, talking with sales' experts and observing consumer behavior. Besides this data provided by trade associations, government bodies projects like ASSOCHAM, FICCI bulletins may be consulted. Internet has also become a vital source for collecting information and is also time saving.

Retailers may use collected information for making merchandise decisions about (i) staple merchandise and (ii) fashion merchandise. The above-mentioned sources are enough to have picture about staple merchandise but for frequently changing fashion merchandise, a mix of internal and external sources may be used.

2. Selecting Vendors: After collecting the information about consumers' demands, the next step is to select sources of merchandise and to interact with them to select the potential vendors.

For selecting vendors, the retailers usually have three alternatives:

(i) Company-owned vendors: As the very name implies, these vendors are owned by the company themselves. Large retailers have their own manufacturing or wholesale operations. They work only for particular retailers and provide as per their requirements.

(ii) External, widely used supplier: This type of supplier is not owned by the retailer but used frequently by him. The retailer is buying merchandise for long and is aware about the quality and services offered by him.

(iii) External, not used supplier: This type of retailer has not been used by the retailer as he is either a new entrant or retailer has not purchased anything from him so far. Therefore, what quality he is offering cannot be known in advance. Retailers may use any one type of supplier as per their requirements, budget and area of operations or they can use a combination of them. Big retailers often deal with all types of suppliers. Therefore, after selecting the supplier category, a retailer should interact with them about the buying terms and conditions.

Following points must be considered while selecting the vendors:

(i) Goodwill of the vendor in the market. (ii) Guarantee and/or warranty offerings.

(iii) Which vendor offers merchandise at the lowest total cost? (iv) Quality offered by the vendor (v) Will the vendor provide transport storing and other facilities? (vi) Is vendor's merchandise line conservative or innovative? (vii) Is vendor offering credit purchase?

(viii) What promotional support is provided by the vendor? (ix) Will mark up be sufficient?

(x) Is vendor interested or will be available for long term relations?

(xi) Will vendor fulfill what he has agreed upon?

(xii) Will vendor provide conditional/exclusive selling rights?

(xiii) How quick will orders be delivered?

3. Evaluating Merchandise: After deciding upon the source of merchandise, next step is to evaluate the vendor's merchandise quality. Here, a retailer is encountered with following situations:

(i) Whether the whole lot be examined, or (ii) Purchasing be made only on vendor's description.

Retailer after interacting with suppliers should evaluate merchandise under purchase consideration. Should each unit of merchandise be examined? Or items should be bought only on the basis of description and demonstrations presented by the suppliers.

For evaluating merchandise items, retailer has three choices in hand:

1. Inspection

2. Sampling and

3. Description

Which method should be followed depends on the items' features, cost and the frequency of purchase. Inspection is a process of examining each item of merchandise thoroughly before the merchandise procurement and also after delivery. Jewelry (diamond, gold, platinum and other precious stones) is one of the examples where retailer inspects all the items of purchase.

Sampling technique is used when retailer is buying items on regular basis in large quantity that is perishable, breakable or costly ones. Therefore, retailer uses Acceptance Sampling method. It is "the middle of the road" approach that exercises control over the incoming inventory without going through 100% inspection. It simply means accepting or rejecting the supplier's merchandise assortment.

Here decision is taken without going through 100% inspection of the entire lot. It is a compromise between no inspection and 100% inspection. It has two key classifications of acceptance plans: firstly by attributes ("go, no-go") and secondly by variables.

Description buying is a process of merchandise purchase where a retailer orders the merchandise items after going through supplier's pictorial catalogue mentioning the product features, price, size and other relevant details. For instance, a retailer can order food and clothing items from a catalogue or concerned company website. On receipt of items, they are only counted for matching order size.

4. Negotiation: Once the retailer has evaluated the merchandise quality and other features, he negotiates with the vendor for its price and consequent terms and conditions. Both parties listen to each other carefully and ask questions wherever doubt arises. Terms and conditions are then decided and contract is made involving total amount to be paid by the retailer, delivery date, delivery conditions and other legal aspects. A retailer while negotiating also talk about the conditions for the re-order. Under Negotiation stage, retailer bargains with the supplier for available discounts and conditions of purchase. A retailer would like to know what will be the additional discount if he goes for bulk buying. What is cash discount? What is trading discount etc? Is there some off-season discount? Once the merchandise is negotiated for its quality, quantity and price, retailer places the order and concludes the buying exercise by paying the amount due. The retailer takes the title of items immediately after the purchase.

5. Buying Merchandise: After negotiating the terms and conditions and agreed upon price, a retailer after placing the size of the order (quantity and quality of each merchandise category), pays the initial money as per the agreement. Big retailers usually place the order and pay the bills online through electronic data interchange (EDI) and quick response (QR) Inventory planning, small retailers due to limited sources, conclude purchase manually.

They fill up the order form and deposit it personally or through postage. With the technological advancement and easy access to internet facility, retailers place their orders online. The small retailers who are associated with big vendors also pay their bills and process orders through EDI and QR systems as per policy matters.

6. Acquiring Merchandise: It means after paying for the invoices, retailer should receive the merchandise and stock it properly. While acquiring the merchandise, retailer physically receive the items, counts the supplies, pays the invoices, marks the items, displays the items and stock in godowns/warehouses to avoid any pilferage and damage. In case of centralized buying, goods are received by regional office/central warehouse and then transferred to chain stores as per their requirements and order received from them.

After paying the suppliers' bills, retailer makes provision how and where the items should be received and stocked. Items should directly supplied to store or warehouse, is mentioned at the time of negotiation and merchandise payments.

Once the items are received, retailer next step is to make ensure that the items are stocked properly. Sometimes it may take long time to reach from warehouse to store, therefore, when orders are received, they must be checked for its quantity and quality. Invoices must be carefully checked for its description and amount printed to avoid any confusion with supplier later on.

When the merchandise has been procured and stocked, it will be issued to store/s whenever demand pertains. Therefore, retailer should have an eye on merchandise issued and the items left in the stock. Whenever the level of inventory comes close to reorder level, goods are ordered for fresh supplies.Once a merchandise plan is implemented, it should be re-evaluated at regular interval of time by close monitoring of implementation plan with the objective of satisfying consumers.

In case of central buying, distribution management is the key to store performance. Buyers/concerned staff should take care while shifting merchandise to chain stores or warehouses.

Following precautions must be taken under this stage:

(i) Inspect the invoices physically for its accuracy. Once the invoices are signed and paid, vendor will not be responsible for any loss in transit or in case of missing items. Therefore, when orders are received, they must be thoroughly checked for size of order placed and any breakage/pilferage during transit.

(ii) While unloading merchandise, take precautions that their packing should not spoil. Further, keep the items at distance and at proper place as unloading generally causes breakage and mixing of items with one another.

MARK-UPS & MARKDOWN IN MERCHANDISE MANAGEMENT

With the emergence of various retail formats and enhanced competition, it is not practical for a retailer to sell all the merchandise items at their actual prices. Price adjustments include either mark down or additional mark ups. Therefore, retailers compute the initial mark up, maintained mark up and gross margin during their normal course of business.

MARK-UPS: It comprises of;

Initial mark up: It is based on the selling price assigned to the merchandise less the costs of the merchandise sold.

Maintained Markup: It is the amount of profit a retailer plans to maintain on a particular form of merchandise. It is based on the selling price that you intend to wish less the cost incurred on goods sold. As maintained mark ups are concerned to actual prices received, therefore, for a retailer, it is always difficult to estimate in advance.

The point of difference between initial markup and maintained markup is that initial markup percentage depends on planned retail operating expenses, profit, reductions and net sales while on the other hand, maintained markup represents some additional costs from original retail values caused by discounts, shortages, Inventory theft, markdowns and added markups. The maintained markup percentage can be viewed as:

MARK DOWN: Mark down is a most common technique to push retail sales that offers particular merchandise at a price less than the merchandise' marked price (normal price).

The reasons for several types of merchandise include:

(i) Overstocking / over buying

(ii) Season (climate) change

(iii) Clear out store worn / slow moving merchandise

(iv) Clear out old fashioned / old trend merchandise

(v) To generate customer traffic

Mark down always does not mean that store is not performing well but this is a part of doing business and to run a retail store efficiently. Sometimes, some retailers initially mark up their merchandise high enough that after reductions and marking downs (whatever the reason may be) the planned maintained mark up is achieved. Thus a retailer's intentions should not be to reduce mark downs. If mark downs are too less, it may mean that the retailer is probably charging the merchandise too low, not purchasing in bulk, or not having interest to purchase particular merchandise.

Types of Mark downs:

(i) *Temporary Markdowns*: This is a policy of reducing the prices of merchandise for a particular time period due to a particular reason. For instance, markdown because of clear out shop worn / substandard merchandise. Once such merchandise is sold, the product will be priced to the normal selling price.

(ii) *Permanent Markdowns*: In such markdowns, price reduction is made for comparatively longer periods, may be few weeks, few months or more. Unlike the temporary markdown, where price reduction takes place for a particular cause and price eventually will be raised to the original one, the permanent mark down is used to replace the old quality merchandise with the new one.

The reasons for permanent markdown are:

(a) Merchandise is of perishable nature and will be of no use after sometime

(b) To replace the old technology goods to new and latest versions

(c) Particular merchandise that a manufacturer / marketer no longer wish to produce/sell.

(iii) *Seasonal mark downs:* Under such markdowns, prices are reduced to clear out the seasonal retail merchandise, such as 'Ludhiana woolen sales' in the last months of winter season are very common in North Indian states like Haryana, Punjab, and Delhi etc.

Additional Markup:

Unlike the markdown where the prices are reduced, the additional mark up is intended to increase the retail price above the original mark up due to certain reasons like:

(i) When the demand for merchandise offered is exceptionally high

(ii) Due to monopoly like situation

(iii) When competitors are not able to meet the consumers' demand

(iv) In case private labels are performing well in retail market and have good demand, retailer would like to have quick and fast returns.

SHRINKAGE IN RETAIL MERCHANDISE MANAGEMENT.

Retail shrinkage, or shrink, is a term used in retail loss prevention. It refers to any type of loss identified as missing money or inventory that should be present but isn't actually on hand or saleable. It can come in myriad forms, such as customer theft, damage, bookkeeping errors, internal theft, or vendor fraud, and it can affect any company, although it is most prevalent in the retail industry. The average shrink percentage is about two percent of sales in retail. Although that might sound low, when it's all put together, this accounts for tens of billions of dollars in losses for retailers each year. If you own a retail business, you must be proactive in preventing shrink before it starts to significantly cut into your profits and negatively affect your bottom line.

Retail Shrinkage Affects Everyone

When business owners face considerable retail shrinkage, they must often resort to raising their prices or reducing their employee wages to account for the losses. This affects the consumers who must then pay higher prices. It affects the employees who must work for lower wages, for fewer hours, or with fewer perks and benefits. And it affects the business owner who is then placed at a competitive disadvantage. He will have more difficulty attracting and retaining high-quality employees and may lose loyal customers over the price increases. It is vital for the retail business owner to prevent shrinkage in order to avoid these far-reaching consequences for everyone involved.

Types of Shrink

Employee theft is the number one source of shrink in the retail industry. It can include pocketing cash, discount abuse, under-ringing, sweet-hearting, refund abuse, or the blatant theft of merchandise.

The second biggest source of shrinkage is ***shoplifting.*** This not only includes customers hiding merchandise in their bags and walking out of the store without paying but also altering or swapping price tags and other methods of theft.

Administrative errors make up about 15 percent of the total shrink rate. Pricing errors due to markups or markdowns, bookkeeping mistakes, and counting, sorting, and storing errors during cash handling can cost retailers a lot of money.

Vendor fraud is a small category of shrink but it must still be considered in your loss prevention strategy if you want to prevent it. It most often occurs during the delivery and return of merchandise.

Preventing Shrink with Automated Cash Solutions

To combat these avoidable losses, retail business owners should consider investing in cash management solutions. Automation will allow you to increase visibility and accountability. Here are just some of the solutions you should consider.

- A cash recycler that collects and dispenses currency will help you curb shrinkage by reducing the risk of human error, ensuring that every dollar is automatically accounted for at your registers, and keeping your money safely locked up. Your employees and customers will be unable to steal from your registers when you invest in cash recycling.
- Currency counters and sorters take your money out of your employees' hands. When you let these machines do all of the counting, sorting, and reporting your end-of-day sales, you give your employees fewer opportunities to steal from you. These devices will also alert you to counterfeit fraud.
- A fully integrated cash management solution that is incorporated within your POS system can help you increase accountability, so if a suspicious situation arises, you'll know exactly where to look. When your employees know that their every move is being watched when they're handling your money, they'll think twice before stealing. A fully

integrated cash management system will enable individual logins with personal identification numbers as well as automatic deposit validation, money reconciliation, and storage into cassettes that can only be removed by management or armoured car services.

- Retail business owners who rely on technology as part of their loss prevention strategy see lower overall shrink than those who don’t.

UNIT IV

MERCHANDISE PRICING

Introduction:

A retailer must price merchandise in a way that besides satisfying the customers, achieves profitability for the firm. Pricing is a crucial exercise due to its direct relationship with a firm's goals and its interaction with other retailing matters. A pricing policy, if not appropriate, send a store out of competition.

A pricing strategy must be consistent over a period of time and consider retailer's overall positioning, profits, sales and appropriate rate of return on investment. Lowest price does not necessarily be the best price, but the lowest responsible price is the best right price. The difference between price and cost is profit which can be very high when the sales person wants to exploit an urgent situation.

The Consumer and Retail Pricing:

Retailers should understand the importance of pricing because it has direct relation with consumer purchases and perceptions. During pricing decisions, retailers should also under the price elasticity of customers to price changes in terms of the quantities bought.

If relatively small percentage change in price results in substantial percentage changes in the number of articles purchased, price elasticity will be high. This is the situation where the urgency to purchase is low or substitutes are well available. If large percentage changes in price have small percentage changes in the number of articles purchased, demand is considered to be inelastic. This is the situation where purchase urgency is high and substitutes are not easily available. The formula to compute price elasticity is given below. The price elasticity is calculated by dividing the percentage change in the quality demanded by the percentage change in the price charged. Because in retail market sales usually decline as prices go up, elasticity tends to be on negative side.

Pricing Options, Objectives and Types:

1. Pricing Options:

(i) <u>Predatory Pricing</u>: It involves large retailers that normally seek to produce competition by selling merchandise at very low prices and create the situation where it becomes difficult for small retailers to stay.

(ii) Prestige pricing: It assumes that customers will not buy merchandise displayed if price fixed are too low. It is based on the price-quality association.

(iii) Price lining: A pricing practice where by retailers sell merchandise at a limited rate/limited range of price points, where each point represents a different level of quality.

2. Pricing Objectives:

Pricing objectives are generally considered as part of the general business strategy and give direction to the retail pricing process. While deciding on pricing objectives, a retailer must understand that pricing strategy must reflect the retailer's overall goals that can be stated in terms of profit and sales. Usually, while setting the price, the firm may aim at one or more of the following objectives:

(i) Achieving pre-determined return on investment (ROI)

(ii) Building company's image, goodwill and brand's name

(iii) Building sustainable competitive advantage

(iv) Creating curiosity and interest about goods and services

(v) Creating store traffic

(vi) Early recovery of cash

(vii) Having price leadership

(viii) Increasing company' growth

(ix) Increasing market share

(x) Increasing rupee sales

(xi) Justifying social responsibility of business

(xii) Making the newcomers' entry in the industry difficult

(xiii) Matching with competitors' prices

(xiv) Maximizing long-term profit volume

(xv) Maximizing short-term profit volume

(xvi) Partial Cost Recovery

(xvii) Providing ample customer service

(xviii) Quality Leadership

(xix) Stabilization of prices and margin

(xx) Survival

(xxi) Avoiding government intervention of any kind

3. Types of Pricing:

(i) <u>Horizontal pricing</u>: This practice involves agreements among manufacturers, wholesalers, retailers to set certain prices. These agreements usually are illegal under Indian sales act.

(ii) <u>Vertical Price Fixing:</u> A practice where manufacturers or wholesalers seek to control the retail prices of their merchandise through some sort of agreements.

(**iii) <u>Price Discrimination:</u>** A pricing practice where different prices are charged from different retailers for the same merchandise and same quality.

(iv) <u>Minimum Price Laws:</u> These laws prevent retailers from selling certain items for less than their cost plus a fixed percentage to cover overhead.

(v) <u>Unit Pricing</u>: The objective of such legislation is to let the customers compare the prices of product available in many sizes. For instance, Food and Grocery stores must express both the total price of an item and its price per unit of measure.

(vi) <u>Item Price Removal:</u> A pricing practice whereby prices are marked only on shelves or signs and not on individual item.

Setting the Retail Price:

Once price used to be the less important 'P' of marketing mix & 'Price' was neglected for a long time. But with the complexities of business and increasing competition, the importance of pricing decision is growing because today customers are looking for appropriate 'value' Value is the relationship between customers' expectation and his paying ability. Retailers, marketers are in business to multiply their invested money. There are several factors that affect the profitability of a retail business but an appropriate pricing policy is a vital decision toward multiplying their invested money. Retailers have various pricing strategies to use in their normal course of business but which one to adopt, depends on costs (operating and running cost etc.) incurred on that products.

Setting the retail price of merchandise is a complicated, but the most important aspects of managerial decision making. If the price is set too low, retailer may not be able to cover its store expenses. If the merchandise is priced too high retailer may price himself out. Therefore, price setting is a complex activity and no formula has been developed so far to set the price correctly. Retail price setting process includes a series of decisions a retailer makes while determining the price of merchandise. As said earlier, there is no universal way to set the price of merchandise but one thing should be noted in this regard that regardless of the price setting process used, the price of merchandise should meet the cost of obtaining the supplies and expenses to operate the retail firm.

Pricing Strategies:

Some of the major factors affecting retail pricing strategies are as follows:

Price is a highly sensitive and visible part of a retail marketing mix and has bearing on the retailer's overall profitability. Further, pricing itself is an essential part of marketing mix and has its own place in strategic decision-making process. Out of 4 Ps (Product, Price, Place & Promotion), price is the only element of marketing mix that generates income for the firm, while rest of the elements are parts of the variable cost for the firm.

Pricing strategy must consider that it costs to manufacturer to develop a product; it requires expense on distribution and promotion. A lot of pricing strategies are on hand and are practiced throughout the world. The main criterion to adopt a particular strategy is "what objectives' a firm decides to achieve?" A price strategy can be demand, cost and/ or competitive in nature. As charging too high or too low may cause loss to the firm, pricing should take demand, cost and/or competition into account.

1. Demand Oriented Pricing: Under demand oriented pricing, prices are based on what customers expect or may be willing to pay. It determines the range of prices affordable to the target market. Under this method, retailers not only consider their profit structure but also calculate the price-margin effect that any price will have on sales volume. As the very name implies, demand oriented pricing strategy seeks to forecast the quantities (sales volume), customers would purchase at various prices and concentrates on the prices associated with pre-determined sales targets.

For example, if customers are highly sensitive to price tags, a price cut can enhance the sales volume so much that profits actually go up. On the other side, if customers are less bothered about 'price', increasing the sales price will directly result into increased profits. In short, demand oriented pricing seeks to estimate the price level that maximizes profits. The main advantage of demand oriented pricing strategy is to set the merchandise prices as per customer response towards the product offered.

2. Cost Oriented Pricing: Under this form of pricing policy, a retailer decides a floor price of the merchandise a minimum price suitable to the organization to achieve its financial goals. A retailer under this method sets the price to cover production cost, operating costs and a pre-determined percentage for profit. The percentage varies strikingly among industries, among member outlets and even merchandise of the same retail firm. One popular form of such pricing strategy is to mark up pricing. In mark up pricing, a retailer sets the prices of the merchandise by adding per unit merchandise costs, retail store operating expenses and determined profit.

The gap between merchandise price and selling price is the mark up. For instance, a retailer purchases a wooden Almirah for Rs 3000/- and sells it for Rs 5000/-, the extra Rs 2000/- is charged to cover its store's operating costs and profit. In this case, the mark up is 80% or 66.67 percent on cost.

Determination of Initial mark up, Maintained mark up and Gross Margin:

With the emergence of various retail formats and enhanced competition, it is not practical for a retailer to sell all the merchandise items at their actual prices. Therefore, retailers compute the initial mark up, maintained mark up and gross margin during their normal course of business.

Initial mark up: It is based on the selling price assigned to the merchandise less the costs of the merchandise sold.

Maintained Markup: It is the amount of profit a retailer plans to maintain on a particular form of merchandise. It is based on the selling price that you intend to wish less the cost incurred on goods sold. As maintained mark ups are concerned to actual prices received, therefore, for a retailer, it is always difficult to estimate in advance.

The point of difference between initial markup and maintained markup is that initial markup percentage depends on planned retail operating expenses, profit, reductions and net sales while on the other hand, maintained markup represents some additional costs from original retail values caused by discounts, shortages, Inventory theft, markdowns and added markups. The maintained markup percentage can be viewed as:

Gross Margin: Gross margin, commonly known as gross profit is an important performance measure in retailing. It indicates the retailer a measure (estimate) of how much profit it is making on merchandise sales without considering the expenses associated with running a store. In other words, gross margin is the difference between Net sales and the Cost of goods sold.

Gross Margin (In Rs.) = Net sales – Total Cost of goods

3. Competition Oriented Pricing: As the very name suggest, under this pricing policy, retailers set the prices of merchandise after considering competitors' prices rather than demand or supply considerations. The company following this policy may not react to changes in demand or an increase in cost of merchandise. The retailer can charge higher than the market price, when the location of their stores is attractive and convenient to majority of its customers, offer wide assortments, exceptional customer service, a well established image, long experience and an executive brand. On the other hand, stores with inconvenient location and absence of value-added characteristics can charge less than the market price.

Following are the competition oriented pricing alternatives:-

(A) *Competitive pricing below the Market rate*: It simply means setting the merchandise prices simply to beat the competitor's price by charging price that is below the prevalent market rate. This policy is advisable only when retailer follows an optimum inventory plan, procure merchandise at right time and at right (minimum best possible) price to gain the benefits of cash payment, trade discount, bulk buying etc.This policy is followed under following circumstances:-

(i) When retailer has no locational advantage. (ii) Selling force is not competent and has little product knowledge. (iii) Customer services offered are average. (iv) In case of unimpressive layout and visual merchandising and (v) When retailer has its own manufacturing of some private labels or merchandise.

(B)*Competitive pricing above the market rate*: This policy allows a retailer to set the merchandise price above the current market rate. This policy seems to be straight forward and simple but must be applied carefully. This policy is suggested to those retailers who have some competitive advantages like:

(i) In case of excellent consumer service. (ii) In case of high level of personal selling, delivery and exchange facilities. (iii) When retailer has a stock of well known brands that are not available to its competitors in the nearby location. (iv) When retailer has attractive, huge and modern retail infrastructure to offer merchandise that will allow a retailer to charge the merchandise price above market rate.

Pricing Adjustments Techniques:

After deciding the prices of merchandise, the retailer's next step is to consider whether there is any need to change some prices due to reasons like changing demand patterns, pilferage issues, competition and seasonal shift during normal course of business. Price adjustments include either mark down or additional mark ups.

Mark Down: Mark down is a most common technique to push retail sales that offers particular merchandise at a price less than the merchandise' marked price (normal price).

The reasons for several types of merchandise include:

(i) Overstocking / over buying

(ii) Season (climate) change

(iii) Clear out store worn / slow moving merchandise

(iv) Clear out old fashioned / old trend merchandise

(v) To generate customer traffic

Mark down always does not mean that store is not performing well but this is a part of doing business and to run a retail store efficiently. Sometimes, some retailers initially mark up their merchandise high enough that after reductions and marking downs (whatever the reason may be) the planned maintained mark up is achieved. Thus a retailer's intentions should not be to reduce mark downs. If mark downs are too less, it may mean that the retailer is probably charging the merchandise too low, not purchasing in bulk, or not having interest to purchase particular merchandise.

Types of Mark downs:

(i) Temporary Markdowns: This is a policy of reducing the prices of merchandise for a particular time period due to a particular reason. For instance, markdown because of clear out shop worn / substandard merchandise. Once such merchandise is sold, the product will be priced to the normal selling price.

(ii) Permanent Markdowns: In such markdowns, price reduction is made for comparatively longer periods, may be few weeks, few months or more. Unlike the temporary markdown, where price reduction takes place for a particular cause and price eventually will be raised to the original one, the permanent mark down is used to replace the old quality merchandise with the new one.

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Additional Markup:

Unlike the markdown where the prices are reduced, the additional mark up is intended to increase the retail price above the original mark up due to certain reasons like:

(i) When the demand for merchandise offered is exceptionally high

(ii) Due to monopoly like situation

(iii) When competitors are not able to meet the consumers' demand

(iv) In case private labels are performing well in retail market and have good demand, retailer would like to have quick and fast returns.

Price Discrimination Policy:

The important level of price discrimination policy are listed below:

It is a pricing policy where a retailer charges different prices from different customers for the same merchandise. Price discrimination is based on the philosophy of 'ability-to- pay' and requires market segmentation. Price discrimination may be studied under few degrees such as first, second and third level price discrimination.

1. First Level Price Discrimination: This type of price discrimination occurs when retailer charges the price of merchandise according to the customers' ability to pay. Usually for a retailer, it is not easy to identify which customer is able to pay more but when a retailer is able to do so, he would like to increase his profit base.

For example, this type of price discrimination practice is usually common for sale of both new and second hand cars. People pay different prices for the cars having same features, model and make. The success of such price discrimination policy depends upon the ability and selling art of the floor employees to convince the customers that they are paying genuine and reasonable price for the merchandise. A customer having less/no bargaining power is welcomed by the retailer.

2. Second Degree Price Discrimination: It refers to a practice where retail companies charge less prices for bulk buying. A retailer when gets big orders or purchase order for the same items at once in high number, offers the merchandise at a discounted rate. This practice is very common not only in retail business but in wholesaling too.

This reduced rate will not be applicable to a customer who places order for a few items. A reduced price (discounted rate) is offered if one buys 5 kg or more instead of 1 kg or two shirts instead of one. It is helpful in clearing out the merchandise and generates quick revenue for a retail firm.

3. Third Degree Price Discrimination: It refers to a practice where price vary by customer group or by location. One another form of such type of price discrimination is a practice of offering temporary discounts for airfares during particular seasons to cover up the low traffic fleet. In practice, this pricing discrimination takes various forms.

For example, ‘students’ are considered a group and are offered discounts at cinema halls, amusement parks, trade fairs and museums. Some public and private airlines offer discounts to ‘senior citizens’. Both students and senior citizens have higher elasticity of demand but less affordability.

RETAIL STORE OPERATION

Elements/Components of Retail Store Operation: It includes;

a) Store Atmosphere The store must offer a positive ambience to the customers for them to enjoy their shopping and leave with a smile.

- The store should not give a cluttered look.
- The products should be properly arranged on the shelves according to their sizes and patterns. Make sure products do not fall off the shelves.
- There should be no foul smell in the store as it irritates the customers.
- The floor, ceiling, carpet, walls and even the mannequins should not have unwanted spots.

- Never dump unnecessary packing boxes, hangers or clothes in the dressing room. Keep it clean.
- Make sure the customers are well attended.
- Don't allow customers to carry eatables inside the store.

b)Cash Handling One of the most important aspects of retailing is cash handling.

- It is essential for the retailer to track the daily cash flow to calculate the profit and loss of the store.
- Cash Registers, electronic cash management system or an elaborate computerized point of sale (POS) system help the retailer to manage the daily sales and the revenue generated.

c)Prevent Shoplifting/Safety and Security

- The merchandise should not be displayed at the entry or exit of the store.
- Do not allow customers to carry more than three dresses at one time to the trial room.
- Install CCTVs and cameras to keep a close watch on the customers.
- Each and every merchandise should have a security tag.
- Ask the individuals to submit carry bags at the security.
- Make sure the sales representative handle the products carefully.
- Clothes should not have unwanted stains or dust marks as they lose appeal and fail to impress the customers.
- Install a generator for power backup and to avoid unnecessary black outs.
- Keep expensive products in closed cabinets.
- Instruct the children not to touch fragile products.
- The customers should feel safe inside the store.

Customer Service

- Customers are assets of the retail business and the retailer can't afford to lose even a single customer.
- Greet customers with a smile.
- Assist them in their shopping.
- The sales representatives should help the individuals buy merchandise as per their need and pocket.
- The retailer must not oversell his products to the customers. Let them decide on their own.
- Give the individual an honest and correct feedback. If any particular outfit is not looking good on anyone, tell him the truth and suggest him some better options.

- Never compromise on quality of products. Remember one satisfied customer brings five more individuals to the store. Word of mouth plays an important role in Brand Promotion.

Refunds and Returns

- Formulate a concrete refund policy for your store.
- The store should have fixed timings for exchange of merchandise.
- Never exchange products in lieu of cash.
- Never be rude to the customer, instead help him to find something else.

Visual Merchandising

- The position of dummies should be changed frequently.
- There should be adequate light in the store. Change the burned out lights immediately.
- Don’t stock unnecessary furniture at the store.
- Choose light and subtle colours for the walls to set the mood of the walk-ins.
- Make sure the signage displays all the necessary information about the store and is installed at the right place visible to all.
- The customers should be able to move and shop freely in the store.
- The retail store should be well ventilated.

Training Program

- The store manager must conduct frequent training programs for the sales representatives, cashier and other team members to motivate them from time to time.
- It is the store manager’s responsibility to update his subordinates with the latest softwares in retail or any other developments in the industry.
- It is the store manager’s responsibility to collate necessary reports (sales as well as inventory) and send to the head office on a daily basis.

Inventory and Stock Management

- The retailer must ensure to manage inventory to avoid being “out of stock”.
- Every retail chain should have its own warehouse to stock the merchandise.
- Take adequate steps to prevent loss of inventory and stock

STORE ADMINISTRATION & MANAGEMENT

The retail store is a place where customers take a decision to buy a commodity at the spot. The store also knows the customers’ mentality and buying behavior. Therefore, store displays all the items under one roof where normally a customer needs not to walk here and there for a particular type of retailing. Customer is the king and queen. He needs not to ask do you have this soap.

Or what the cost of this shampoo bottle is? Everything in the store is displayed with its price tags. Here customer comes and takes whatever he/ she needs. The concept of self service prevails. But despite self service, managing store operations is not an easy task. It requires a lot of expertise and alertness to manage the day to day activities of the store. In stores everyday retailer has some new experience.

In order to ensure a smooth flow of store activities, it is necessary that management should define the total tasks and the appropriate persons for each task. It has seen that professional stores/chain stores normally prepare an operation manual or blue print which becomes the base for assigning duties and responsibility to various levels of staff. Be it food and vegetable store or cloth and shoe store, typically, the following five activities are carried out in a store. These are:

1. Store Administration and Management of Retail Floor

2. Inventory Management

3. Managing Receipts

4. Customer Service

5. Sales Promotion

The above mentioned activities when put together in a particular manner in which they will perform, are below:

Tasks to be Performed at the Store Level

1. Store Administration and Management of Retail Floor:

Store administration deals with various aspects which are necessary to sell the goods to clients without any disruption. It includes cleanliness of the whole store particularly the main floor, maintenance the store facade and the displayed windows, etc. Besides this maintaining the record of each level of employees, using them efficiently and prudently, to keep the records of holidays and the shifts that the staff may be required to work for and the staff’s pending leave record. Administrators make sure that store need to be maintained as per the criteria, rules set by top management. This includes the proper cleaning of the store and arranging/refilling the merchandise before the customers come for shop.

Besides this, administration ensures that all the required permissions, licenses and NOCs (No Objection Certificates) have been properly received on time from all civic authorities. It also includes fulfillment of health and safety norms as required by the law of the land.

I. ***Registration Certificate***: This is needed to run a particular store. This gives an identity to a particular (name) store. The store is then known by that registered name.

II. Trade License: The purpose of this license is to apply and take license to sell some day to day eatables like edible oil, sweets, readymade ice creams, candies, chocolates etc.

III. Dairy License: As the name implies, this license is required to sell dairy products including cow/buffalo milk.

IV. ***License for Weight & Measure:*** The purpose of getting this license is to use the weighing machines, weighing balance under weighing and measures rules of a particular state where the store is located.

V. ***License for Rationing:*** This license allows a store to sell items like food grains, sugar, salt, oils, pulses and dry fruits under retail sale.

VI. ***License for Frozen Items:*** This license is obtained to sell all types of frozen items such as beef, fish, mutton, bacon, ham, etc.

Besides this a store normally applies for these registrations:

i. Central Sales Tax Certification **ii.** State Sales Tax Certification

The objective of these certificates is that whatever the sales these stores are making; they are liable to pay a particular amount which is calculated as fixed percentage to total sales. Like 14.5 % of total sales.

Management of Retail Floor:

Opening and closing activities are the primary activities of a store. If a store is not opened, how it can sell the things and if it is not closed, it will be a silly decision. Stores are closed because employees are human being and like machinery they also need some rest. Further, in the night, no one will come to buy except thieves and Stealers.

Closing a store enables the store to clean the floor and refill the items that have been sold during the whole day. Therefore, before customers come to a store, the store must not be only opened but refilled with all the items for which customers come to shop. Closing a retail store not only allows the retail managers to make some changes with regard to price, visual setting and arrangement in displayed items but allows the managers to manage new items and withdrawal of old/expired items in a store. But remember closing a store does not stop the retailer from canceling the orders, but the retailer further cannot modify or make new orders.

Management of retail floor begins by determining (a) what tasks are to be performed? and (b) who will perform these tasks? Following are the set of activities that a retail store has to perform during opening and closing of a retail store.

(a) <u>Pre Store Opening Activities:</u> These activities as clear by the name, take place before the store is opened for the general public. The objective of these activities is that store should be fully operational before the customers come for shopping. It means to prepare a store for its customers. These activities take place before the store's trading hours. Generally under this process, store's shutter or entrance gate remains closed for customers. If a customer comes during this period, he/she is either requested to wait outside or come after sometime when store will be opened.

The various activities that take place before opening a store are:

(i) Cleaning the floor area

(ii) Receiving the inventory

(iii) Maintaining the inventory record

(iv) Arranging the inventory for display

(v) Checking whether all shelves, racks are refilled properly.
(vi) To check all the electric equipments like bulbs, tubes etc.

(vii) To decide the duty chart (as it varies due to festivals etc)

(viii) To check various weight measuring machines.

(ix) To price the goods kept for display

(x) To check and refill poly bags, gift wrappers and loose coins at the billing and cash counters.

(xi) Turning off the alarm

(xii) Turning on the power and setting up the computer systems and electronic weighing machines.

(xiii) Displaying items that have been locked away overnight.

(b) ***<u>During Trading Hours Activities:</u>*** Once this stock is refilled and is prepared for customers' shopping, the store is opened. Shutter up activity and all the concerned staff including floor staff become active and take their positions as assigned before opening the store.

The activities that take place during the trading hours are:

(i) Greeting the customers (welcome).

(ii) To help the customers whenever and wherever is needed.

(iii) Security staff, keeping their luggage, bags and long handy purses and issue a token number.

(iv) Floor cleaning staff, cleans the floor aisles after regular interval

(v) Retailer supervises the activities of store employees and shoppers by way of anti-theft devices and CCTVs (closed circuit cameras).

(vi) Cashiers keep the record of merchandise sold and accept the payments.

(vii) Floor staff informs the inventory manager regarding status of inventory sold so that shelf should be refilled before the stock ends.

(c) ***<u>Post Store Close Activities:</u>*** After the fixed trading hours, store's lights are switched off one by one so that customers in the store should complete their buying and no new customer should be allowed to come. For example, the trading hours of a retail store are 8 am -10 pm, then before half an hour of closing hour, i.e. around 9.30 pm, retailer instruct the security staff to shutter down the store to its half and stop the new customers from coming by saying "sorry Sir/madam, its closing time, please come tomorrow".

A routine announcement is also made to inside customers that it is store's closing time, so complete your shopping. Once the customers are out of the store, employees after giving their day to day report to their seniors, go out of the store after security check to ensure that store's staff is not carrying any unpaid store item. Then after completing the cash records and depositing the daily cash that comes through sale, cashiers are allowed to leave.

The typical store activities that take place after closing the store are as follows:

(i) Collection of sales and merchandise records from floor staff so that next day shelves can be refilled before the customers come.

(ii) Store manager collects the cash and credit sale record from the cashiers for the purpose of sending sales report to headquarter.

(iii) Inventory store submits the merchandise balance report to the manager.

(iv) Security staff inspects the store's floor staff and reports to staff's manager.

(v) Janitorial staff makes sure that all the electric, water and other security instruments are properly switched off.

(vi) Supervisory staff ensures that all the windows, display shelves are properly covered and safe from insects, weather, hazardous condition and pilferage.

(vii) Turning on the alarm

(viii) Locking up the display items in an outside the store area.

2. Inventory Management:

Devising an efficient system of receiving and displaying goods has long been a tough task for most of the retailers. Therefore, deep knowledge of inventory management is essential for retailers who want to maintain a stocking service for quick turnaround to help ensure total customer satisfaction. The "fill rate" of an item on a managed inventory list must be maintained to avoid shortages of frequently used items. Even when utilizing an inventory management system, occasional shortages will still occur.

To be successful in complex retailing environment, retailers need to have proper stock of inventory or have reliable suppliers to meet customer demands at a short notice. Either way, retailers must have a realistic, well-organized method for managing inventory in order to satisfy customers and stay in the competition. Sound system of inventory management enables an organization to meet or exceed customers' expectations of goods availability while maximizing net profits or minimizing costs. While managing inventory, retailers must decide on brands, sizes, material, color, style and price points. It involves regular check and adjusting the types of product lines that are added and dropped from the merchandise mix from time to time.

Two widely used approaches to monitor and control product assortment and support are:

***(a) Inventory turnover**:* It is the ratio at which a retailer depletes and refills stock over a period of time. A low inventory turnover ratio may position to obsolescence, overstocking, or deficiencies in the marketing line or product line. In some cases, a low rate may be acceptable such as circumstances where higher inventory levels occur in expectation of shortages or rapidly rising prices. A high turnover rate may indicate inadequate inventory levels, which may lead to a loss in retail sales.

Inventory turnover is calculated as:

$$\text{Inventory Turnover} = \text{Sales}/\text{Inventory}$$

(b) ***Open-to-buy:*** Maintaining an optimum level of inventory always has been a difficult task. Buying and having too much inventory can slow retailer's cash flow and reduce profit earning with too much markdowns while on the other hand, under buying may lead to shortage and miss sales opportunities by way of loosing customers. Therefore, retailer has left with the option of using an open-to-buy (OTB) plan which ensures that product choice meets targeted consumer needs and requirements.

OTB can be calculated in either units or rupees and is difference between how much inventory is required and how much is actually present including inventory on hand, in transit and any outstanding orders. It is recommended to retailers that in order to take advantage of special buying offers or to add new products, appropriate OTB budget should be kept separate to avail such opportunities. It also allows the retailer to respond quickly to the fast-selling items and quickly restock shelves.

3. Management of Receipts:

Management of receipts involves the policies, procedures and practices retailers follow to receive the payments from their customers. Most of the retailers in India prefer cash payment to avoid any further complexities while some other stores would accept either of these forms of payment like credit cards, debit cards, payment on delivery at home or bank cheques.

Some stores also accept payments through co-branded cards. Credit cards are popular and in use in most of the urban parts of India. Due to popularity of credit cards, almost all the stores accept one or the other type of credit card. Major credit cards like ICICI, VISA card etc are accepted everywhere. Therefore, the procedure for accepting payment by way of credit and other cards and thereof collecting payment from the banks needs to be clearly understood by the store staff.

The major operational decisions related to management of cash/receipts are as follows:

(i) Which method of payment should be chosen?

(ii) Who will be responsible for administering credit cards?

(iii) What is the policy for late or non-payment of merchandise?

(iv) What are customer's eligibility requirements to accept a payment through bank cheques and credit cards?

(v) What are the credit terms and conditions? What interest should be charged? When the interest charge will begin and what will be the minimum monthly payment?

Undoubtedly credit facility offered by stores enhances customers input in the stores if implemented and drafted properly.

4. Customer Service:

Managing a retail store is the toughest task these days. New and new stores are coming up not only in the urban regions but in the suburban regions also. Employees' attrition rate is very alarming. They are leaving the old stores and joining the new ones. Competition is also becoming tougher day by day. Profit margins are shrinking.

Advertisement is no more effective. Customers' preferences, likes, dislikes are changing continuously. Therefore, there is a dire need of experienced and young store managers who should handle daily activities of a retail store in an effective manner and can put loss making stores into profitable entities.

Hence, it makes sense to start at the customer interface when considering how a retail business might be managed in order to achieve the store's objectives. Whether a retailer has a practice of applying store or non-store format in his store, the way the customers are attended is a real priority in the management of any kind of retail store. The retailers who understand the importance of customer service and really are customer focused ensure that continuous support should be extended to the team leaders of customer care executives and floor retail staff so that they can concentrate on the task of increasing sales.This support usually comes in the form of a retail store supervisor who organizes the various sales teams to make certain that the present retail staff is matched to the rate of may face. Thus it is expected that retail supervisor should be well experienced and interested in managing store employees. He should be mentally prepared to form the sales team and to take on the extra responsibility of leading the team. But in case of independent or small retailer, the task of supervision may be handled by the store manager itself.

5. Sales Promotion:

Retailers in recent years have become increasingly inclined toward the use of sales promotion techniques, often at the cost of advertising. Though these promotional efforts are concerned with the store's marketing efforts, ultimately it will have impact on the store's sales.Therefore, retailers must ensure that the place where such promotional events have to take place must be ready for the same. If it requires additional work force, store should not hesitate in hiring such extra staff. If it requires some training to existing employees to get the better result out of promotional program, should be arranged accordingly.

To support, an increasing number of retailers are doing tie-ups/partnerships with local dealers offering different merchandise with whom both the dealer and retailer gain win-win situation. Managing promotions, events and alliances all come under store operations and must be managed at store level itself. Further, receiving and displaying merchandise should be handled at store level.

STORE MANAGER –RESPONSIBILITIES

1. Management of employees: Managing employees is the foremost duty of a retail manager. This includes the management of store's employees working at various levels such as sales staff, store staff, cleaning staff and clerical staff.

2. Maintaining the sales environment: It involves implementation of store layout plans, displaying merchandise, replenishment/refilling of stock, visual merchandising task and maintaining the sales record effectively.

3. Cost minimization: It involves controlling expenses that are essential to run a store. By way of applying cost effective policies, expenses can be reduced resulting in increased profitability. It is possible by elimination of waste, errors and accidents. This task of minimizing cost becomes necessary when store is running on low price policy, like in case of Wall Mart stores where EDLP (every day low prices) policy is being applied.

4. Recruitment, Training and Development: The very first duty of any retail store manager is to handle the job of recruiting the right persons at right jobs. Then train and adjust them according to the store's policies and working environment. If they need any training, they must be provided in or outside the store. These new entrants are those who make the store either an achievement or can mar the whole business. Therefore, retail manager should ensure that be it cashier, or sales executive or store keeper, they should be hired after considering their minimum qualification and experience in the concerned field. If after recruiting, training and development, still these employees are not performing well after several warnings, they must be fired from the store.

In addition to these duties, store manager must ensure that all the employees at different level are honestly doing their duties and are not creating any problem for store or other employees.If any retail manger, employee or group of employees are lacking in some managerial skill/know how, he/they must be provided with proper training, as trained employees work fast and in more effective way. Also it is the working staff that ultimately put policies/store's objectives into action.

5. Budgeting and Forecasting: The store manager is more suitable for predicting the store's future performance, calculating future expenses and accordingly setting budgets. Explaining the set targets and the funds available to departmental heads and collecting their performance at regular interval comes under implementation of retail strategy.

6. Implementing Marketing plans: This involves implementation of marketing policies devised in order to pursue store's strategic marketing objectives. For example, to allocate space for sales promotion activities, inspecting effectiveness of sales distribution programs etc.

7. Team Leadership: The store manager also has the task of motivating his employees and reducing any resistance to change in working methods that may be required when new strategic directions are set. Retail manager ensures that his all employees should work like a team, leaving any personal grudge.

8. Maintaining Leave and Salary Record: Another important job of a retail store manager is to have the proper balance and written record of the money comes in the store by way of selling the goods. He is also responsible for keeping the whole record of all the employees with regard to their working hours, no of days worked by each and every employee. He will take care that each employee is getting the salary according to the number of days and hours served them for the store so that there should not be any partiality with any type of store employee. He will oversee that the provisions related to casual or earned leaves (if any) are applicable to all employees.

The necessity of proper and updated records (both sales and purchase) is that it helps in estimating the money which has come in to the store by way of selling goods or providing services to customers and gone out of the store by way of bills and salary payments to employees.

9. Holding Inventory: Inventory control is another important activity performed by a retail manager. To ensure regular availability of inventory in the store, retail manager maintains appropriate level of inventory all the time in the store. Since a store's earning is through selling of goods, it becomes the duty of a sales manager to have the full record of incoming and outgoing inventory.So that there should not be any shortage of inventory in the store and side by side there may not excess of a particular good which results in unnecessary blockage of money and also needs storage area. Normally in the small Indian cities, most of the retail managers have practice of keeping the inventory with the nearby godowns to avoid any shortage.

The reason is that these cities are not well connected with rail or road networks. But on the other side, retailers in the metros or developed cities avail of just-in-time deliveries with the help of efficient customer response systems, which reduce the practice of having huge inventories in stock all the times. In addition to maintaining appropriate level of inventory, he should make sure that payment has been made for the supplies/ordered goods.

10. Extending Customer Services: The retail sales manager being on the senior position is responsible for providing multiple services to immediate customers and the other members of his retail value chain. These services differ from store to store and location to location. Some of the services familiar to all stores are (a) credit facility, (b) free home delivery, (c) after-sale service, and (d) trade discount to bulk buyers or small traders and information and new offers to its regular and loyal customers.

For instance, the Titan watch company in India set up its service centers in its own retail chain stores of Titan wrist watches with the name of Time Zone. This has not only thinned the importance of local and unorganized service providers but has also increased the confidence of the retail customers in these chain stores considering after sales service an integral part of watch purchase.

11. Maintaining Store Harmony: The retail manager is also responsible for maintaining harmony among different levels of store staff. He ensures that the floor staff is cooperative and has corporate spirit of team work. Store harmony not only includes the good relation between different types of employees but also involves relation between store management and its employees, between public and store, between public and store’s employees, store and the government, and also between various stores.

12. Ensuring Safety of Employees and Inventory: Since the retail store manager is supposed to be present physically on the store’s premise on daily basis, is the suitable individual to ensure the safety of the store including the safety of employees and inventory. He is the appropriate person to inform the corporate office how his store is doing and where and when the changes are needed to introduce in the store. Store manager ensures that all the safety provisions with regard to requirement of local authorities like municipal corporation, state and central government are duly met. These safety provisions relate to installation of fire fighting systems and provision of emergency exits etc.

In nutshell, a retail store manager is responsible for day to day activities of the retail store. He undertakes various activities and performs functions that add value to the offerings they make to their potential customers. The retail store manager also serves the manufacturer by performing the function of distributing the goods to the ultimate consumers. For several goods where brand loyalty is not very strong, the retail store manager's recommendation could be very vital in buying decisions of the customers.

STORE MAINTENANCE

Everyday the floors need to be mopped, the shelves dusted and the bathrooms cleaned. Regardless of the type of retail outlet you manage, these things are ongoing and very needed tasks. The cash registers may need to be opened at the beginning of a shift and totalled at the end of the shift. Doors unlocked and locked and food may need to be covered and stored.

INITIAL PREPARATION

Check for your keys Before you leave to open the store for the day, you need to make sure you have got your keys to open the store with. Make sure you check your pockets, sideboards, drawers or anywhere where you keys could be, including the door!

Arrive early First things first; for the store to be prepared and ready for the business day, you will need to arrive early. For you to get today's pre-open tasks done, you need to arrive at least 15-30 minutes before the store is due to open and unlock the door.

Time of Arrival Recording your time and arrival every day will let you know when is the best time to arrive and have your tasks complete ensuring your store will have a smooth day ahead.

Turn the lights on As soon as you are inside the store you are going to have to turn on the lights enabling you to see where you are going. This will also enable you to complete your other tasks which could involve clearing aisles, re-stocking and more.

Disable the alarm Turning off the alarm once you are inside the store ensures no horrible, crazy sudden noise goes off. This is the burglar alarm, you have 30secs-1min to turn off the alarm before it makes an annoying sound and then the police are zooming around the corner.

STORE PREPARATION

Walk the floor You are going to want to walk around the store floor once the store has been initially setup to begin housekeeping duties. Make sure there are no spillages, the aisles are clean and the light fixtures are well presented (no squint lights or broken ones). Customers do not want to see multiple lights which are not working or a spillage they could slip on.

Rearrange tags Rearranging tags may sound boring and pointless but it is crucial from a customers point of view. Make sure your tags are arranged correctly using the sub-checklist below:

- *Price tags*
- *Sales prices*
- *Promotion tags*
- *Size tags*
- *Correct tag (if stock was switched)*

There is nothing worse from a customer's point of view as to when they go to buy a product and it has the absolutely wrong price tag on it.

Check cash registers You should make sure your cash registers are ready to go and have sufficient funds in them allowing you to exchange customers money. Also, if you run a paper loyalty scheme have them available in the cash register in the event of a customer asking for them. Throughout the course of the day, you should never count cash in front of customers and it should be done out of site, preferably in a staff-room

Turn on electronic systems It is important to have your electronic systems switched on when customers enter the store. On electronic systems, you can promote your products to customers when they're looking around in the store. You can promote sales items and clearance stock in an attempt to get rid of them.

- Computers - for stock checking, emails, etc.
- Music system - no one likes silence.
- TV screens - you can promote your products, sales, etc.
- Working Displays - if you have displays needing activated, make sure to do this.

Activate air conditioning If your store is located in a hot climate or in the event of a warm day, make sure you remember to turn your air conditioning on - so customers don't feel too stuffed and have the feeling of wanting to run out of your store as soon as possible. Activating air condition is another task you may seem non-important. We like a bit of sun, but when you're inside shopping sweating uncontrollably which is not comfortable.

Ready the outside of store If you have anything outside of your store which should not be there, have one of your staff members go outside and re-organise the outside of the store. This makes the store look more appealing to potential customers or anyone who is passing by. No one likes mess anywhere, this applies to the outside of your store too.

- *Clear litter/debris*
- *Place out advertising boards/sale signs*

This simple task could potentially gain more footfall and sales.

DELEGATE TASKS

Assign daily duties Assigning daily duties ensure staff is aware of what they will be doing during the day. You will need to have tasks completed throughout the day and having staff know what they're working on before they open shop helps the day run smoother.

Use the sub-checklist below to know what duties you have to assign:

- Cleaning duties (Picking up litter, clearing floors, cleaning windows)
- Restocking duties (control stock levels, restock shop shelves)
- Merchandising duties (correct sales signs, effective layout displayed)

This stops confusion later on through the day.

PREPARE LUNCH AND BREAK SCHEDULES

After your store is ready to go, you're going to have to get your staff routines checked which will enable them to know when they're going to be working during the day. Let staff know when they will be working and when they can take their break/lunch - making sure no disruption during the day happens.

FINAL CHECKS

Conduct a staff meeting Conducting a final staff meeting lets the staff know what their targets are for the day, what they're supposed to be doing and when they need to do it for. Ask staff to have one last check of the store to make sure they have done their preparation correctly. You do not want to find paper lying on the shop floor or anything else which should've been done earlier.

Open the store The last thing you have to do is open the doors enabling customers to enter the store and begin shopping.

STORE SECURITY

Store and merchandises protection measures and techniques adopted by retailers in order to create a secure and safe sales environment and protect against theft, shoplifting, vandalism, and organised crime**.**

There are plenty of measures you can take now to reduce your risk of shoplifting as much as possible. These tips can help you learn how to catch shoplifters and how to prevent shoplifting in retail.

1. Know Your Times Did you know that certain times of day are more common than others for shoplifting? Wednesday through Saturday are the most popular days for shoplifters, especially in the afternoon and on weekends. Summers and holidays are often high-alert times for theft as well.

2. Avoid Profiling There are many stereotypes related to types of shoplifters, targeting both race and gender. However, a study from the University of Florida found that many of these are untrue. In reality, men steal more than women, and the majority of shoplifters are middle-aged and gainfully employed. As such, it's essential to treat all shoppers with the same levels of trust, respect, and suspicion.

3. Keep It Clean A messy, unorganized store makes it easier for shoplifters to steal from, especially when you're not sure what goes where, what's selling, and what's not. To increase your oversight and minimize the likelihood of stolen items, keep merchandise clean and organized.

4. Build Relationships with Customers Your customers are a big part of your business. The better you know them, the less likely they are to steal from you. The ones you know by name are aware that you can pick them out of a lineup, and your more honest shoppers won't be afraid to report suspicious behavior to you.

5. Build Relationships with Employees Relationship building goes for employees as well. Forge relationships with your employees and let them know they're valued and appreciated. Internal theft is as much of a problem as shoplifting. In fact, probably more, with 75 percent of employees admitting to stealing from their employer at least once.

If employees feel engaged with your business and the work they're doing is valued, the happier they'll be — and less likely to exhibit malicious behavior like theft. In fact, the number one way internal theft was detected was a tip from another employee.

6. Watch for Loiterers Loiterers are often bad news for businesses and usually a tell-tale sign there might be trouble on the horizon. With so many hands and so much activity, it's relatively easy for a group to snag items and wander out. Pay close attention to people who appear to be hanging around with no intention of buying anything.

7. Run a Tight Ship A well-oiled machine is much harder to steal from. When your employees are always at attention, your business is far less likely to be a target. Share shoplifting prevention tips like this with your employees to ensure they know how to prevent a potential crime. By showing your customers you're watching, they'll know there's no room for error in your store.

8. Watch for Shifty Behavior Some shoplifters, especially those new to the process, may show warning signs before problems arise. They may wear large sweatshirts, spend long periods of time in the same aisle, carry large purses or bags, and continually check to see if you're watching. Know the signs and trends, and keep a close eye on customers exhibiting this type of behavior.

9. Take a Thief's Perspective If you were a thief, what would you target? Heavy items in the back of the store or small, or easily pocketed items by the front? When arranging your store, think like a thief looking for a five-finger discount – and do the opposite. One study found that putting easily stolen items, like batteries, in a visible but hard-to-reach locations cut down on theft significantly.

10. Expand Your Team Hiring more employees may seem like a costly solution, but putting an extra set of hands on the floor can make a huge difference. Inevitably, there will be times when you're with a customer, in the back, or otherwise unable to watch the floor. In these moments, you'll appreciate the assistance another team member can provide.

11. Employ Mirrors If you have a large store and a small staff, it may seem impossible to watch every corner at all times. With mirrors, surveillance becomes a whole lot easier. Many stores, from convenience shops to high-end department stores, utilize rounded mirrors in the corners by the ceiling to prevent theft. This provides a broader view, ensuring you can see every last detail on your floor — even a blind spot.

12. Add Prevention Tactics Electronic article surveillance, which refers to the tags that hang on clothing and other high-value items to deter theft, may seem like an expense only big-box retailers can afford. , Offering an easy way to ensure expensive items are protected at all times, the benefits of such tags outweigh the cost of using them.

While these systems are not cheap (it will run you upwards of $3,000), it can prove to be an extremely valuable method to prevent retail theft. Large retailers aren't spending that kind of money if it wasn't providing them with a substantial ROI. A few tags and a little training result in a store that's much harder to rob.

13. Put up Signs Theft prevention signs are common in stores across the country; they often advertise security methods, fines imposed and maximum criminal shoplifting charge. While these signs may seem like all bark and no bite, research shows that a store that emphasizes punishments for shoplifting is far less likely to be robbed. To maximize effectiveness, hang signs near higher value items, like jewelry and electronics.

14. Involve the Police Calling the police for every little-attempted theft of a $5 lipstick or a $1 soda may sound like overkill, but the more you do now, the better a precedent you set for the future. As one city in Arizona demonstrated, partnering with local law enforcement resulted in a shoplifting decrease of over 21 percent, helping businesses to stay safe from the antics of petty criminals.

15. Use a Point of Sale System (POS) Do you know how many items you have on your shelves? Do you know the exact value of those products? Does the inventory sold, match the revenue coming in? If not, a POS system can help you better account for inventory shrinkage and spot potential issues before they get out of hand.

Strong inventory management techniques are a great way to help reduce retail loss. This also ties back to our point about running a tight ship and being organized on the floor. A POS system not only organizes inventory by tracking items by category and department, but to also tracks your cost, margin, quantity on-hand, and even a reorder trigger and quantity. Also, a point of sale system can help reduce your internal risk of theft. No business owner wants to believe their employee is stealing from them, but unfortunately, it's a reality for some.

A POS system will help track every single transaction and function that occurs at the point of sale during an employee's shift. You may start to notice an employee that always has a lot of discounts or voids. The 'no sale' function is occurring too many times in one shift. These are all insights you can gain from your POS system to help you define a pattern and act your findings before it's too late.

16. Manage Refunds and Returns Shoplifting isn't the only way criminals can target your store – fraudulent returns are another easy way for thieves to squeeze money out of your business. If you're lenient with returns, allowing every little request to pass through your drawer, it'll be easy for a professional shoplifter to take advantage of you. Instead, develop a strict policy and stick with it.

17. Get Strict With Receipts In the world of shoplifting, receipts are the best way to prove a legitimate sale versus a robbery. Instead of letting customers walk out the door with a cheery wave, consider appointing someone to check bags and receipts by the entrance. Even if checks are brief and hurried, the idea of someone checking bags will make a difference.

18. Use Shorter Displays Long aisles are the norm in many stores, but they can make it hard to keep an eye on what's going on with shoppers. Shorter displays make it easier to watch, allowing you to see how customers move around the store and survey merchandise while identifying potential shoplifters.

19. Put Your Checkout by the Exit A checkout in the back of the store may be convenient, especially when it comes to checking and organizing the stockroom, but this strategy can be bad for business. When you want to watch your store as efficiently as possible, a checkout in the front by the door makes it easy for you to greet customers and make eye contact when they come in and acknowledge them when they leave.

20. Install an Entrance Alert Sensor The buzzers and bells that ring when individuals enter or exit your store may be annoying, but they're very handy, especially for smaller, low-volume businesses. These systems work in two ways: notifying you when someone comes into your store, and letting shoppers know that you're watching. When you have a buzzer in place, there's no way for a shoplifter to sneak past you when you have your back turned.

21. Keep an Eye on Registers Swiping cash out of the register is an easy way for thieves to steal from you without ever disturbing the merchandise. When you're working the register, never, ever leave it unattended. Instead, let your team member on the floor handle customer disputes while you stay put.

22. Use Lockers Banning the use of large bags, purses, and backpacks while shopping may seem paranoid, but doing away with these items makes it much harder to steal high-value items. By employing a locker system, you can be sure shoppers aren't sneaking merchandise into their bags and running away with your hard-earned cash.

23. Monitor Dressing Rooms Dressing rooms provide a perfect way for unscrupulous customers to steal. Instead of allowing them to wander in and out at will while trying on clothes, position an employee near the fitting rooms and use a number system to track how many items enter and exit. This way, you'll always know if something is missing.

24. Install Security Cameras Surveillance cameras are the single best way to prevent theft, allowing you to keep an eye on the whole store and capture images of thieves in the act of committing a crime. Gone are the days of grainy video, dark scenes, and faces you could only see in broad daylight. You can now see clear images day or night, rain or shine.

A combination of advances in video technology and better lenses have made security cameras and surveillance systems worth the investment. And let’s not forget the bonus of saving on your insurance premiums by installing a surveillance system.

25. Have a Plan When someone steals from you, how will you respond? Will you call the police? Will you attempt to handle it in-house? Will you let it go? No matter what avenue you plan to take, a step-by-step procedure is indispensable. With a game plan on the books, you can be ready to react when a shoplifter does target the inventory you’ve invested so much to acquire.