LECTURE NOTES

On

RETAILING MANAGEMENT

MBA IV Semester
IARE-R16

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SYLLABUS

UNIT– I INTRODUCTION TO RETAIL MANAGEMENT: Meaning of Retail and Retailing, History, types, functions, utilities, theories of retailing, e tailing, structure of Indian retail industry, retailing in Asia, global retailing, retailing in Europe, service retailing, foreign direct investment retailing, Rural marketing, ethics in retailing.

UNIT–IIUNDERSTANDING SHOPPERS AND SHOPPING: Shopping Environment, shopping in a Socio Cultural Contest, shopping process shopping behavior, demographics of Indian shoppers, psychographic profile of Indian shoppers, lifestyle of Indian shoppers, shopping patterns in India.

UNIT–IIIDELIVERING VALUE THOUGH RETAIL FUNCTIONS: Classification of formats, ownership based, store based, on store based, other retail formats, Value Based Model of store format choice, attribute based model of store format choice, the competitive market place. Marketing Structure, the demand side of retailing, non-price decisions, types of competition, evolution of retail competition, future changes in retail competition.

UNIT – IV PRICING AND SUPPLY CHAIN MANAGEMENT: Pricing Objectives and Policies, Interactive Pricing Decisions, different Pricing Strategies, and Price. AdjustmentStrategies. supply chain management introduction, derivers of supply chain management, supply chain management and competitive advantages, types of supply chain supply chain length, width, control of supply chain, framework of Supply Chain Management ,supply chain management network structure, Supply Chain Business Process, supply chain management components, Retail Inventory Management, Retail Logistics Management.

UNIT – V RETAIL BUYING AND MANAGING RETAIL OPERATIONS:

Objectives of buying, organization buying, retailing buying behavior, models of buying behavior, buyer responsibilities, merchandising and assortment plans merchandise plan, merchandise plan for basic stocks retail buying groups, negotiations in retail, contract in retail, store layout and design, merchandise display fixtures, positioning of merchandise, materials and finishes, floors, interior walls, ceilings, lightings, music, graphics exterior signage, interior signage, layouts for e tailers.

UNIT– I

INTRODUCTION TO RETAIL MANAGEMENT

INTRODUCTION TO RETAIL MANAGEMENT:

What is management?

Management refers to the process of bringing people together on a common platform and make them work as a single unit to achieve the goals and objectives of an organization. Management is required in all aspects of life and forms an integral part of all businesses.

Retail management: **The various processes which help the customers to procure the desired merchandise from the retail stores for their end use refer to retail management**. Retail management includes all the steps required to bring the customers into the store and fulfill their buying needs.

Retail management makes shopping a pleasurable experience and ensures the customers leave the store with a smile. In simpler words, retail management helps customers shop without any difficulty.

Need for Retail Management - Why retail management:

Peter wanted to gift his wife a nice watch on her birthday. He went to the nearby store to check out few options. The retailer took almost an hour to find the watches. This irritated Peter and he vowed not to visit the store again.-An example of poor management.

You just can't afford to make the customer wait for long. The merchandise needs to be well organized to avoid unnecessary searching. Such situations are common in mom and pop stores (kirana stores). One can never enjoy shopping at such stores.

Retail management saves time and ensures the customers easily locate their desired merchandise and return home satisfied**.**

Effective Management controls shopliftings to a large extent.

- The retailer must keep a record of all the products coming into the store.
- The products must be well arranged on the assigned shelves according to size, color, gender, patterns etc.
- Plan the store layout well.
- The range of products available at the store must be divided into small groups comprising of similar products. Such groups are called categories. A customer can simply walk up to a particular category and look for products without much assistance.
- A unique SKU code must be assigned to each and every product for easy tracking.
- Necessary labels must be put on the shelves for the customers to locate the merchandise on their own.

- Don’t keep the customers waiting.
- Make sure the sales representatives attend the customers well. Assist them in their shopping. Greet them with a smile
- The retailer must ensure enough stock is available at the store.
- Make sure the store is kept clean. Don’t stock unnecessary furniture as it gives a cluttered look to the store. The customers must be able to move freely.
- The store manager, department managers, cashier and all other employees should be trained from time to time to extract the best out of them. They should be well aware of their roles and responsibilities and customer oriented. They should be experts in their respective areas.
- The store manager must make daily sales reports to keep a track of the cash flow. Use software’s or maintains registers for the same.
- Remove the unsold merchandise from the shelves. Keep them somewhere else.
- Create an attractive display.
- Plan things well in advance to avoid confusions later on.
- Ask the customers to produce bills in case of exchange. Assign fixed timings for the same. Don’t entertain customers after a week.

HISTORY OF RETAILING: The modern consumer has grown accustomed to the effortless retail experience of the 21st century. Customers expect to be able to shop at anytime, from anywhere, with an omnichannel service that is exclusively tailored to their specific needs.

Effortless shopping has been the goal of retailers for centuries, but creating the modern customer experience has involved far more than the invention of e-commerce and digital technologies. Here, we take a look back at the key inventions and events that shaped the retail industry as we know it today.

Key historical events in retail:

1200 BC – **The ancient origins of the retail industry**

1300 AD – **Renaissance Europe marketplaces**

1890 AD – **High street hysteria**

1910 AD – **Self service and the corner store**

1930 AD – **Mass modernization culture**

1960 AD – **The fashion boom of the Swinging Sixties**

1970 AD – **<u>The dawn of supermarkets</u>**

2000 AD – **<u>Retail in the digital world</u>**

2025 AD – **<u>What does the future hold for retail?</u>**

The ancient origins of the retail industry: Money is the lifeblood of the modern retail industry, but before there was currency, there was trading. Archeologists have unearthed the remains of cowries shells that date back to 1200 BC. These shells were used to mark the monetary value of commercial transactions at the agora – the Roman trading center where tradesmen offered their goods.

According to the Encyclopedia of Ancient History, trading likely consisted of purchasing necessities. For the wealthy, cowries shells would have been used to obtain luxuries to impress visiting dignitaries. Goods consisted of everything from recently harvested vegetables, freshly caught fish or purple dye which was considered to be extraordinarily valuable at the time

Renaissance Europe marketplaces: **Shopping took on a new form during turn-of-the-century Europe. Marketplaces and fairs were developed as pop-up fundraisers that were usually held around Easter. One of the largest was the Foire St. Germain in Paris, a fair for the benefit of the Abbey of St. Germain.**

Tradesman would haggle and auction off their items for the benefit of the Abbey, while Parisian residents enjoyed something much like an early shopping mall. These fairs quickly gained popularity and spread throughout the rest of the developed Western world.

High street hysteria: At the end of the 19th century, most people no longer possessed the facilities to grow their own food. This gave rise to the high street, where market stalls became shops and fixed prices and new services such as home delivery and store credit were introduced.

During this period, shopkeepers realized that the longer customers remained in their stores, the more likely they were to make purchases. Several innovations were invented with the intention to keep people engaged in stores for longer. Modern escalators were first introduced in 1895 with Harrods being the first department store to install one.

Women's restrooms were also a welcome addition. In the late 1800s Harry Selfridge created women's lounges inside his store – a trend that thankfully caught on.

Self-service and the corner store:

The local corner store dominated retail in the early 20th century. People would walk to their closest corner store to stock up on the basics. Choice was limited, but so was the amount of produce that the shopper would be able to carry home.

Before 1916, self-service was not widely available in grocery stores with all produce kept behind a counter. That changed when a Memphis Piggy Wiggly grocery store created a 'cafeteria grocery' where shoppers could browse the shelves and pick up items themselves.

Mass modernization culture:

The early 1900s were responsible for the term 'retail therapy'. Department stores placed emphasis on creating beautiful displays and providing exceptional customer service. Oxford Street became the number one destination for shoppers, particularly the wealthy who visited stores like Selfridges to take advantage of personal shopping services and be pampered.

New inventions meant that consumers could carry more items and therefore spend more money. The first shopping carts were invented in 1937, giving shoppers an alternative to the much smaller folding basket. The invention of the automobile also meant people could travel further and carry more, while in-home refrigeration allowed families to stock more food.

The fashion boom of the swinging sixties:

The population boom, the growth of suburbia and the rise of the TV ad in the 1960s led to the introduction of open air malls and mass retailers. The demand for affordable fashion propelled the launch of outlets like Top shop, Miss Selfridge and Debenhams, shops that enticed fashionable youngsters with outlandish window displays and unique store layouts.

In 1966, Canby Street was immortalized on the cover of Time Magazine as a boutique clothing haven and emblem of Swinging London. Across the pond, Audrey Hepburn put iconic jewelers on the map as she embodied chic New York opulence in ‘Breakfast at Tiffany’s’.

The dawn of supermarkets and demise of local merchants:

In the 1970s, speed and convenience became a priority of retail. Supermarkets and major chain stores burst onto the scene meaning customers could buy their groceries under one roof. Price wars with rival stores became commonplace, which in turn reduced the value of various products and drove many smaller independent merchants out of business.

Retail in the digital world:The internet revolutionized retail, giving customers new platforms to browse, research and purchase products. E-commerce shifted many of our retail experiences to the digital world, giving individual customers who visit a brand’s website a personalized, convenient experience. It did not bring such good news to the traditional brick-and-mortar retailer however. In the US, 7 of the 8 largest retailers in 1980 had become bankrupt, irrelevant or had been acquired by the time the millennium arrived.

Several other innovations have transformed consumer behavior. Social media has become an important channel of communication between customer and retailer, while augmented reality has allowed for the creation of entirely new experiences such as virtual fitting rooms. Other inventions have benefitted the retailer, for instance RFID tags have provided a new approach to stock and inventory management and contain far more information than barcodes.

What does the future hold for retail?

As innovations in technology continue to spread across the world, retail will adapt accordingly. The modern consumer continues to demand speed and convenience and technology will make it easier to shop wherever, whenever. Smart stores with shelves that know when an item is out-of-stock or an interested customer is nearby and drone delivery services are just two of the many inventions that could emerge in the very near future.

KINDS OF RETAILING:

Retailers typically buy large volumes of products at wholesale prices and sell smaller quantities or single items to customers at a higher cost per item. Although this basic objective applies to all retailing, different kinds of retailers accomplish it in diverse ways. Companies can sell the same product through catalogs, stores, websites and flea market tables, among other venues. Each type of retailing offers a different set of advantages to the customer.

STORES: Long before other kinds of retailing became common, physical stores existed in many different forms. Discount and department stores sell wide varieties of products, while other retailers like clothing shops and bookstores primarily offer one type of item. Some large stores in cities have more than 100 departments, according to the Encarta Encyclopedia. For customers, the advantages of store-based retailing include the ability to closely inspect products and easily return them if necessary.

DIRECT: Another major form of retailing involves selling items by directly delivering or mailing them to customers. Companies may receive orders for such products through the Internet, by telephone or via postal mail. Some retailers market a website or telephone number through TV, newspaper or radio ads. This type of retailing decreases costs because the seller doesn't have to operate stores. It also appeals to customers by eliminating the need to travel. Some companies sold products to farmers by mail order in the late 1800s, according to Britannica Ready Reference, but the practice became more widespread in the 1960s.

AUTOMATED: Vending devices and other automatic retailing systems hold increasing importance. Vending machines sell everything from bags of pretzels, cans of juice and laundry detergent to newspapers and movie rentals. The first vending machine in history dispensed holy water in exchange for coins, according to the Encarta Encyclopedia. They eventually moved on to items like tobacco and chewing gum. Automatic retailing eliminates the cost of operating a store and greatly extends business hours, but vending machines can't provide the selection or customer service of retail stores.

TEMPORARY:A significant but less widespread type of retailing uses non-permanent structures in temporary locations. For example, a tent, trailer, table or even the trunk of a car can be used to display products in a flea market or on the side of a road. Temporary retailing offers some of the advantages of selling products in stores, but without as many startup expenses or maintenance costs. Customers do need to be alert with respect to quality, since post-sale service won't be available.

TYPES OF RETAILERS:

There are 7 main types of retailers which can be defined by the size of their business and the way they in which they sell their products.

The 7 main types of retailers are:

1. **Department Store** –This type of retailer is often the most complex offering a wide range of products and can appear as a collection of smaller retail stores managed by one company. The department store retailers offer products at various pricing levels. This type of retailer adds high levels of customer service by adding convenience enabling a large variety of products to be purchased from one retailer.

2. **Supermarkets** –Generally this type of retailer concentrates in supplying a range of food and beverage products. However many have now diversified and supply products from the home, fashion and electrical products markets too. Supermarkets have significant buying power and therefore often retail goods at low prices.

3. **Warehouse retailers** –This type of retailer is usually situated in retail or Business Park and where premises rents are lower. This enables this type of retailer to stock, display and retail a large variety of good at very competitive prices.

4. **Specialty Retailers** –Specializing in specific industries or products, this type of retailer is able to offer the customer expert knowledge and a high level of service. They also add value by offering accessories and additional related products at the same outlet.

5. **E-tailer** –This type of retailer enables customers to shop on-line via the internet and buy products which are then delivered. This type of retailer is highly convenient and is able to supply a wider geographic customer base. E-tailers often have lower rent and overheads so offer very competitive pricing.

6. **Convenience Retailer** –Usually located in residential areas this type of retailer offers a limited range of products at premium prices due to the added value of convenience.

7. **Discount Retailer** – This type of retailer offers a variety of discounted products. They offer low prices on less fashionable branded products from a range of suppliers by reselling end of line and returned goods at discounted prices.

FUNCTIONS OF RETAILING:

- A retailer performs the dual functions of buying and assembling of goods. The responsibility of a retailer is to identify the most economical source for obtaining the goods from the suppliers and passing on the advantages to the consumer.
- The retailers perform the functions of warehousing and storing. They store the goods in bulk and make them available as per the requirement of the consumer. Warehousing and store keeping helps in ensuring uninterrupted availability of the goods to the consumers.

- The primary function of a retailer is selling the products to the customers for which various techniques or business practices are being adopted by the retailer to achieve the strategic goals.
- The prime focus of a retailer is on maximizing customer satisfaction by delivering quality products and services both on cash as well as credit basis. As a result of which, retailer always runs the risk of accumulating bad debts on account of non-payment of the amount from the consumer.
- A retailer needs to have robust risk management capabilities. Various kinds of risks can be involved in a retail business which a retailer should be well prepared with like loss or damage of the products due to deterioration in quality, perish ability or spoilage. A change in customer's buying preferences or tastes can also affect the retail business to a great extent, or even the products may be damaged due to the natural calamities or vagaries of nature.
- A retailer performs the crucial function of grading for all those goods which at times are either left ungraded by the wholesalers or manufacturers so that the customers readily accept the goods. The retailer is responsible for the packing of goods in small packages or small containers for the customer's convenience.
- The retailers are the direct point of contact or communication with the customers; hence they gather information regarding the changing tastes and preferences of the consumers, pass on the customer feedback to the manufacturers for continuous improvement in service delivery.
- Retailers act as a vital channel for the launch of new products in the market as they are the direct interface with the consumers and can communicate directly with the targets consumers about the new product features and advantages.
- The retailers are responsible for the product promotion and advertisement by planning the product displays and visual merchandising for attracting the customers.

IMPORTANCE OF RETAILING:

To Customers:

- A Retailer ensures ready stock availability of goods for the customers in sufficient quantities and sells the goods to the customers as per their quantity specifications.
- A retailer ensures availability of a wide variety of choices of products for the customers by keeping different varieties at various prices and also different brands as well.
- A retailer can provide credit facilities and heavy cash discounts on the purchase of different products to the customers.
- Retailers can provide customized services and pay personalized attention to the customers for achieving a higher level of satisfaction with the delivery of product or service.
- Retailers introduce new products to the customers and also guide them with the usage of the products.
- Retailers can provide additional services like free home delivery or after sales services.
- Retailers purchase and maintain a stock of those products which are mostly demanded by the customers. They aim at catering to the requirements of all kinds of customers with varied buying capacities.

To Wholesalers:

- Retailers are a valuable source of information and feedback for the wholesalers who in turn pass on the same information to the producers of the products. Crucial information related to the changes in the buying preferences of the customers, their experience with the usage of the products, feedback on the prices and quality of the products is passed on to the wholesalers. This helps in improving the existing services and in customizing the product solutions as per the requirements of the customers.
- A retailer absorbs most of the burden of the wholesaler and also of the manufacturer by selling the goods in small quantities to the customers. The wholesalers are relieved from the burden of maintaining direct touch with the customers and managing the entire gamut of activities involved in convincing the customers for purchasing their products.
- Retailer supports the wholesaler by acting as a channel for distributing the goods to the customers.
- Retailer acts as the point of contact between the customer and the wholesaler. Retailers are responsible for creating and improving the demand for various products by taking care of the display and merchandising activities.
- Retailers act as a major source of funding for the wholesale trade by placing the orders and making payments in advance to the wholesalers for those goods.

SCOPE OF RETAILING:

Retailing includes the activities in selling consumer's goods to the ultimate consumer. It focuses on ultimate, rather than industrial consumers. The scope of retailing includes the following points which are discussed as follows:

1. STORE MANAGEMENT:

A professionally managed Stores has a process and a space within, to receive the incoming materials (Receiving Bay), keep them for as long as they are not required for use (Custody) and then to move them out of stores for use (Issue).
In a manufacturing firm this process forms a cycle to maintain and run the activities of Stores.
The basic responsibilities of stores are to act as custodian and controlling agent for parts, supplies, and materials, and to provide service to users of those goods.

Thus , the basic functions , to manage a stores, carried out are:

Receiving of incoming consignments (goods)

Safe keeping of goods (Custody)

Disposal of undesirable goods

Inventory Management

Housekeepingand recordmaintenance.

2. VENDOR MANAGEMENT:

The term vendor management is used when describing the activities included in researching and sourcing vendors, obtaining quotes with pricing, capabilities, turnaround times, and quality of work, negotiating contracts, managing relationships, assigning jobs, evaluating performance, and ensuring payments are made. It requires a lot of skills, resources, and time.

Vendor management is typically broken down into four steps. The first is the establishment of the business goals mentioned above. It's much easier to select and manage vendors when you have clearly defined performance parameters to compare and contrast.

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The second part of the process is to select the best vendors that will be able to match your company's performance characteristics. Every vendor will have its strengths and weaknesses, and choosing the right one is a very critical task to optimizing operational results.

Third is managing your suppliers. On a daily basis, your vendor managers will need to monitor performance and output, ensure contract terms are being followed, approve or disapprove changes, provide feedback, and develop relationships through effective communication, honesty, and integrity.

Finally, the fourth aspect of vendor management is meeting your goals on a consistent basis. This requires continuous work in influencing vendors to meet performance objectives to ensure profitability.

3. CATEGORY MANAGEMENT:

The concept of segregating similar products into separate groups is called as category management. The complete range of merchandise available at the retail store is divided into separate product categories consisting of related products.

Example

Toothpaste, Tooth Brush, Mouth wash, Tongue cleaner, soap, shampoo, body wash, cosmetics etc, can be displayed together under a single category called personal care section.

Vegetables, Fruits, Tinned Food, Juice, meat, dairy products form a single category.

Certain retail stores also classify their merchandise into women, men as well as kids category.

Department stores also have separate categories like:

Apparels, Footwear, Jeweler, Electronic appliances, Mobiles, Watches, Home furnishings, house hold appliances and so on.

4. SUPPLY CHAIN MANAGEMENT:In commerce, **supply chain management** (**SCM**), the management of the flow of goods and services,[2] involves the movement and storage of raw materials, of work-in-process inventory, and of finished goods from point of origin to point of consumption. Interconnected or interlinked networks, channels and node businesses combine in the provision of products and services required by end customers in a supply chain.[3] Supply-chain management has been defined [4] as the "design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally."[5] SCM practice draws heavily from the areas of industrial engineering, systems engineering, operations management, logistics, procurement, information technology, and marketing [6]and strives for an integrated approach.[*citation needed*] Marketing channels play an important role in supply chain management [6] Current research in supply chain management is concerned with topics related to sustainability and risk management, among others, whereas the “people dimension” of SCM, ethical issues, internal integration, transparency/visibility, and human capital/talent management are topics that have, so far, been underrepresented on the research agenda

5. INVENTORY MANAGEMENT: Inventory refers to the goods stocked for future use. Every retail chain has its own warehouse to stock the merchandise to be used when the existing stock replenishes.

Gone are the days when customers had limited options for shopping. In the current scenario, if a customer does not find the desired merchandise at one retail shop, he has a second brand to rely on. A retailer can’t afford to loose even a single customer. It is really important for the retailer to retain his existing customers as well as attract potential buyers. The retailer must ensure that every customer leaves his store with a smile. Unavailability of merchandise, empty shelves leave a negative impression on the customers and they are reluctant to visit the store in near future. Inventory management prevents such a situation.

One must understand that the products need some time to reach the store from the supplier’s unit. The retailer must have sufficient stock to offer to the customers during the “lead time”.

Managing inventory also helps the retailer during situations beyond control like transport strikes, curfews etc. The retailer has ample stock as a result of judicious inventory management even at the time of crisis.

6.CUSTOMER RELATIONSHIP MANAGEMENT(CRM): Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth. CRM systems are designed to compile information on customers across different channels -- or points of contact between the customer and the company -- which could include the company's website, telephone, live chat, direct mail, marketing materials and social media. CRM systems can also give customer-facing staff detailed information on customers' personal information, purchase history, buying preferences and concerns.

CRM software consolidates customer information and documents into a single CRM database so business users can more easily access and manage it. The other main functions of this software include recording various customer interactions (over email, phone calls, social media or other channels, depending on system capabilities), automating various workflow processes such as tasks, calendars and alerts, and giving managers the ability to track performance and productivity based on information logged within the system.

UTILITIES OF RETAILING: Four components -- time, place, possession and form -- make up the utility marketing model. Marketing models educate business owners, marketing and advertising professionals about consumer spending habits. Consumers purchase products for a variety of reasons. The utility marketing model takes into consideration how consumers feel about a product, the convenience of purchasing the product and obtaining the product when they want it.

Time: Ensuring a product is available when the customer wants it adheres to time utility. Consumer demand for products varies depending on the weather, holiday season or everyday wants and needs. For example, the demand for warm coats increases during the winter, and the demand for Christmas, Halloween or Easter decorations increases when these holidays approach, while the demand for soda and other soft drink products may remain the same throughout the year because customers can drink these products at any time.

Place: Place utility is the value consumers put on where they purchase products. Stores make it easier for the consumers to purchase items, as opposed to driving to a factory or warehouse where the products are manufactured or stored. Consumers find what they need in a place conveniently located near home or work.

Possession: Possession utility is the value consumers put on purchasing a product and having the freedom to use the product as it was intended or finding a new use for the product. For example, many people use flower pots for planting, but these pots have other uses such as storage for small objects found around the house or as a centerpiece for the dining room table.

Form:

Form utility is the value a consumer sees in a finished product. Consumers purchase items such as furniture, electronics or vehicles in part because the consumer is incapable of finding and putting all the parts together to create the product. The customer sees value in the finished product, or the form created by each product part.

Importance of Utility Marketing: Understanding consumer demand allows you to make better business decisions. For example, determining when to increase production and inventory allows you to meet increased demand during specific times of year. Pinpointing which regions sell the most products or the types of retail outlets, including department stores or discount stores, that sell the majority of your inventory helps when determining how much inventory to send and where to send it. Understanding why consumers value your products helps you create more effective marketing campaigns.

Drawbacks of Utility Marketing: Since consumers purchase products for reasons other than the four types described in utility marketing, business owners should not rely solely on this method. Consumers make these decisions based on emotion, necessity, boredom or the need to compete with others.

THEORIES OF RETAILING: The retail scenario keeps changing continuously. These changes are brought by ever-changing customer requirements, economic development of the nation, falling borders, new technologies, and by entrepreneurs. Countries like India and many other Asian and East European countries are witnessing unforeseen changes in the landscape of retailing. The traditional retailers, recognized as mom-and-pop stores, are now sharing the canvas with malls, departmental stores, and large price format stores .several theories have been propounded to explain such departments. We shall now discuss some of these theories.

1. Wheel of retailing: The wheel of retailing theory is one of the oldest and most acceptable theories of the development of retailing. It postulates that retailers enter the business at a fairly low status, low prices, and width low prices operation. This helps them compete against the established retailers. With time, when such retailers succeed, they acquire more sophisticated and elaborate facilities. Finally, they mature as high-cost, high-price retailers who become vulnerable to new entrants, who, in turn, go through the same process.

This happens because these stores are usually established by entrepreneurs who are aggressive and cost conscious and do not want unprofitable frills. However, they tend to lose the control over cost as they acquire age and wealth. Their successors turn out to be less competent. Either the innovators or their successors fail to adapt to the changed environment and the laxity in management lead them along the wheel.

2. The retail accordion: Retail development is linked to human habitation. It expands or contracts in line with the geographical expansion of the society. When a new area or location is developed and customers start living in that area, the early stores deal in almost all products needed by these customers. Few stores that come up match the offerings of these early retailers.

Most of them attract customers due to convince, as the travel and search costs from other localities are more. In most cases, these stores deal with consumer non-durable products and several emergency or infrequently purchased products such as hardware and electrical products. However, as the locality evolves. A set of stores starts and offers merchandise that does not necessarily overlap with that of the existing retailers. These stores also specialize in a particular category. In most cases, these are consumer durable and household appliances.

Petrol pumps, restaurants, shops selling gifts and other lifestyle products, and beauty salons are some of the retailers that emerge. This trend continues till the trading area witnesses a good growth. As the growth tapers, the retailers turn their attention from acquiring more customers to maximizing the value per customer. This starts a phenomenon where retailers start adding unrelated merchandise to their offering and slowly a large number of them become ‘general’ merchants. The cycle continues, and after sometime, specialist retailers emerge, which add significant value to one category of merchandise and attract clientele on the basis of either range or value added products. Some of them become price players and some emerge as category killers.

3.Melting pot theory: According to this theory, anew value proposition by one retailer gives rise to two new retailers with the same proposition. This theory also called the dialectic process, suggests that retail firms adapt mutually to the emerging competition and tend to adopt the plans and strategies of the opposition. This was epitomized in the earlier avatar of Tesco, where it would simply match what Sainsbury would offer. Their policies became similar in terms of facilities, offerings, supplementary services, prices, and even the loyalty program me rewards

It took almost ten years for Tesco to recover from this and become the most respected retailer. This phenomenon of melting pot is also very evident in the white goods sector, catalogue stores, and petrol pumps. This gives rise to a process where a successful retail ‘formula’ catches like wildfire and many retailers adopt it without really finding out the key success factors. Thus, after sometime, the mortality rate increases and many of them are not sure of the reason for its failure. In the grocery sector, India is facing a price-led dialectic process. The instant success of the model attracted several retailers and just buying in bulk and selling it cheaper than the current retailers has not led to many facing closure.

4. Polarization Theory: This theory suggests that, in a longer term, the industry consists of mostly large and small-sized retailers. The medium-sized becomes unviable. This is called polarization. The large-sized retailers take advantage of large and direct purchases from the manufactures and offer a large range at very competitive prices. This phenomenon has led to an increase in the size of retailers and reaction in their numbers. Larger stores offer one-stop shopping. The smaller retailers in their offer a limited range of products, but add value to their offers with other services, or tend to specialize. It is found that firm tend to be more profitable when they are either smaller in size or they are big. The mid-size firms fall into the Bermuda triangle.

The Bermuda Triangle effect refers to the phenomenon where the performance of mid-sized firms suffers if big mid-sized firms continue to 'act small', or small mid-sized firms set up costly big-firm practices. Informally organized firms have low-fixed costs. Small firms that are informally organized have low operating costs, but as size increases, the need for coordination within the organization increases, and informal organization often leads to errors and confusion. Thus, the cost of operating informally increases as a convex function of scale.

Conversely, formal organizations incur fixed costs such as the cost of running an information system. For a small firm, this fixed cost is distributed over a small output, so that the cost per unit of revenue is high. However, as the firm increases in size, the fixed cost is distributed over a large volume, thus lowering operating cost as a fraction of revenue.

Ideally, small organizations should be managed informally and large organizations should be managed formally. As a firm grows in size, it should have a transition at the cost cross-over point from informal to formal management. However, organizations do not have a transition at the optimal point. Some move from informal to formal too early, other wait too long before making the transition. The result is that mid-sized firms face higher costs and lower profitability. This leads to the Bermuda Triangle of management- many firms enter it, not all get out of it from the other end. There is plenty of evidence to suggest that small independent retailers have been affected by large retailers. However, it is expected that specialized stores would grow to and fill the mid-size segment.

E-Tailing:

The word E-Tail has its roots in the word ‘retail’. Here the letter E stands for ‘electronic’ since the shopping process happens through the electronic media. With the use of a web-space a virtual shop is created and the products are displayed through images in this space with the features and price tags. By accessing this shopping site a customer can choose his/her products into a cart. The payment to this product can be done in various modes as mentioned by the shopping site. The product can be done in various modes as mentioned by the shopping site. The product would be delivered to the address specified by the customer.

Steps involved in E-tailing:

The shopping process through internet media happens in 5 steps generally.

1.Customer visit: the customer accesses the website of the e-tailer through his/her mobile or PC or laptop. This visit is very critical to the e-tailer because it is this visit that would create an opportunity for a business. The simplicity of the site, the arrangements of the products in the site and various other factors decide the first impression if the customer.

2. Choice of product: once the customer visits the site he/she would choose a product based on the image and valid information available on the web page. This information can include the price tag, details about the product, availability/deliverable time span and even customer reviews on the product.

3. Payment online: once the customer chooses the product the next step would be to go through a secure of data exchange. The e-tailer may provide a unique user account to the customer to keep the transaction safe. Payments to the product can be made online through credit or debit card or even cash on delivery basis where the customer pays the e-tailer when the product is delivered to him/her.

4.Product delivery: once the order is placed with the e-tailer the next process would test the efficiency of supply chain network of the e-tailer. The delivery of the product would be based on the availability of the product in the inventory closes to the customer’s delivery address. This process may also involve shipment of the product. There are different methods used in this process. Some e-tailers just create a platform through a website where the business actually takes place between the customer and a company who is a client to the e-tailer. Here the e-tailer would just take the commission on each product sold. Typically an e-tailer would just take the commission on each product sold. Typically an e-tailer may also choose to buy products that have potential demand and then display it on the site. In this case the e-tailer would have potential demand and then display it on the site. In this case the e-tailer would have to take care of inventory expenses and also the entire procurement and disbursement cycle.

5. Customer feedback:once the product is delivered to the customer the feedback from the customer is very much important. This is primarily because of the absence of a real shopping store environment. The entire experience of the customer during the process would be an indicator of the efficiency of e-tailing. This experience of the customer can be accessed through proper customer service for feedbacks and the problems faced by the customer should be corrected by the e-tailer. Late delivery, wrong product, damaged product etc can be some of the customer complaints which the e-tailer would have to sort out.

Advantages of E-tailing:

1.Cost: The presence of software like e-tail ware has made it an extremely simple task for online retailers to keep up-to-date with price of the competitors .E-tail ware software creates online catalogues and manages the business connected with doing prices from a number of different e-tailers offering the same product/services such that consumer can compare different prices and pick best option.

2.Access: The consumer does not have to travel or go anywhere to see the products/services of online retailers.

3. Inventory: Larger number and variety of inventory, both products and services can be placed online without worrying about limited space and product placement on selves.

4. Flexible time: From the comfort of ones home, individuals can access the E-tailing sites 24/7 and even shop in the middle of the night. E-tailing is extremely convenient for last minute shoppers or people who forget little thing like anniversaries and birthdays.

5. Globalization: In today’s day and age , to be successful, one has to market its products globally. Small entrepreneurial ventures that specialize in niche products need to reach masses as their products would be in demand, not just in the location of the retail sales but in sales but in other cities and countries too. By going global through E-tailing, businesses increase like hood of their survival, success and growth.

6. Consumer data collection through cookies and web usage: Unlike in-store, where customers get completely irritated when asked to give out their addresses before making a purchase, collecting cookies online from the user's and shopping habits of the visitors and hence customize its site to show the product/service of interest to the user.

7. Customers avoid unpleasant sales environments-stress: A number of customers find salespersons annoying and do not like the idea of people asking too many questions. E-tailing is convenient for such individuals that make decisions and figure out the products on their own. Some are reluctant to confront a bad salesperson or just not interested. For such individuals, E-tailing is extremely helpful.

8. Promotional capabilities online: Promotional capabilities online are endless as one can place ads on sites relating to products/services they provide. For instance, if a major trade show is being organized, one can just place ads and get mass coverage at the even that specializes or caters to the businesses target market. With online marketing, customers have a much wider choice at fingertips to find the types of goods a customer is searching for. Also through cookies, E-tailers can identify the like hood of products being purchased at a certain price point. The most convenient thing for E-tailer is product placement. Online, the product placement is organized on the context of the previous transaction.

Disadvantages of E-tailing:

1.Cost for website maintenance: Having an online retailing business is an added cost including maintenance, updates, server fees and other such related fees that add up and do seem like a lot when one is struggling to run their entrepreneurial venture with all their resources without failing.

2. Fulfillment problems: slow delivery time is the concern mentioned by most online shoppers. Even though payments are made right away, the product takes approximately 5-7 days to reach the customer. Such is a disadvantage unless careful consideration is given to time management, accuracy of delivery and conditions of delivery.

3. Payment and security concerns: With major problems like credit card frauds and scams, people are worried that their private information will be used and abused if given out online.

Even though the online industry sees a boom in E-tailing in the holiday season, throughout the rest of the year, E-tailing does not do well. Since 1995, consumers have become rather concerned than confident about online shopping. Clearly, the issue here is not being handled properly by E-tailers and if such situation is to continue, the future of E-tailing seems very unstable.

4. Lack of sensory appreciation of product/sense stimulation: Two things are to be noticed in this section. Firstly some products need sensual stimulation for an individual to make a purchase. For instance unless you already know what a perfume a smells like. You would not go online and buy it. So that aspect sensory appreciation is lacking in E-tailing. Secondly, customers find tough to judge quality from online websites. Therefore, the five attributes that customers use to judge the quality of a product available online are:

- Ease of use
- Privacy
- Simple design
- Consistency and flexibility
- Good information

5. Lack of sales persons and personal service: Some individuals seek 1-on-1 advice of sales employee and are unable to make online purchases without such help. These individuals are barely able to shop online unless they are in social shopping groups.

6. Lacks of social environment: Seeing and understanding the company culture is of utmost importance to some shoppers. Some miss the company culture online and find it difficult to shop and make decision. The new era of shopping, also known as ‘Social shopping” helps these social shoppers. People share recommendations about products and stores, expert review the products and the whole online shopping experience is turned into a social gathering.

7. Technological issues: Some entrepreneurs feel helpless, as they have to be dependent on others to run their online retailing sites. They feel technologically behind and not able to run the company like they run their retail stores.

8.Difficulty in return of goods: Some consumers find that the idea of sending bak a product that they don’t like is extremely time consuming. Unless the retail store is nearby, some do not even bother to return the products.

INDIAN RETAIL INDUSTRY:

The Indian retail industry has presently emerged as one of the most dynamic and fast paced industries as several players have started to enter the market. It accounts for over 10 percent of the country's gross domestic product (GDP) and around eight percent of the employment in India. The country is today the fifth largest global destination in the world foe retail.

Several corporate have planned to exploit the opportunities in the Indian retail space, such as Reliance Industries ltd, which has lined up capital expenditure of Rs1.8 trillion for the next three years for its petrochemicals, telecom and retail ventures.

With the growth in the retail industry, the corresponding demand for real estate is also being created. Further, with the online medium of retail gaining more and more acceptance, there is a tremendous growth opportunity for retail companies, both domestic and international.

Structure of Indian retail industry: The retail industry continued in India in the form of Kiranas till 1980. Soon, following the modernization of the retail sector in India, many companies started pouring in the retail industry in India like Bombay Dyeing, Grasim etc. As has been mentioned earlier the retail sector in India can be widely split into the organized and the unorganized sector. The unorganized sector is predominant. We may discuss in detail the different divisions of the retail sector in India.

Unorganized Retail Sector
The unorganized retail sector basically includes the local kiranas, hand cart, the vendors on the pavement etc. This sector constitutes about 98% of the total retail trade. But Foreign Direct Investment in the retail sector is expected to shrink the employment in the unorganized sector and expand that in the organized one.

Organized Retail Sector
In the organized sector trading is undertaken by the licensed retailers who have registered themselves to sales as well as income tax. The organized retail sectors have in their ambit, corporate backed hypermarkets and retail chains. The private large business enterprises are also included under the organized retail category.

The organized retail sector can be further subdivided into:

In store Retailers
This type of retail format is also known as the brick and mortar format. These retail stores are in the form of fixed point sale outlets. They are specially designed to lure the customers. There are different types of stores through which the in store retailers operate.

Branded Stores appear in the form of exquisite showrooms. Here the total range of a particular brand is available and the quality of the product is certified by the government.

There are also multi brand specialty stores that sell a series of brands so that the consumer can choose from the wide array of brands.

Department stores have a large number of brands and products catering to all basic needs to luxurious items as well.

Supermarkets are basically self service retail stores. Discount Stores offer commodities at reduced prices. In Hyper Marts customers have wide variety of products to choose from and they are also available at discounted rates.

Convenient stores are located in prominent places within the reach of majority of the customers and do not operate in stringent work hours.

Shopping Malls are a storehouse of a large variety of retail shops

Retail Formats in India
The retail formats in India can be categorized into the traditional and the modern forms. The traditional format includes Kirana's, street markets, kiosks and multiple brand stores.

The modern format, on the other hand includes supermarkets, hypermarkets, department stores and specialty chains.

In discussing about the structure of the retail sector in India we cannot forgo forecourt retailing and trade parks.

Trade parks
Trade parks are basically business complexes that promote international trade. The global players here have access to the top Indian exporters. To the buyers this would prove to be a boon since they do not have travel to far off towns to enter into business deals with the exporters, especially in places where infrastructure is very poor. By this the exporters not only enhance their visibility but they also enjoy a host of other advantages. They can design libraries, studio etc, in order to attract potential customers.

Forecourt Retailing
This type of retailing is done by the oil companies in order to increase their revenue. They not only deliver fuel but also offer other services to its customers.

GLOBAL RETAILING:

The Global Retail Industry: An Overview

• Retail has played a major role world over in increasing productivity across a wide range of consumer goods and services .The impact can be best seen in countries like U.S.A., U.K., Mexico, Thailand and more recently China. Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector.

• Retail is the second -largest industry in the United States both in number of establishments and number of employees. It is also one of the largest Industry worldwide. The retail industry employs more than 22 million Americans and generates more than $3 trillion in retail sale annually. Retailing is a U.S. $7 trillion sector. (Source: CSO, MGI Study)

• Wal-Mart is the world's largest retailer. Already the world's largest employer with over 1 million associates, Wal-Mart displaced oil giant Exxon Mobil as the world's largest company when: it posted $219 billion in sales for fiscal 2001. Wal-Mart has become the most successful retail brand in the world due its ability to leverage size, market clout, and efficiency to create market dominance. Wal-Mart heads Fortune magazine list of top 500 I companies in tile world. (Source: STORES I Deloitte Touché Tomahatsu). In the last Fiscal year Wal-Mart outsourced around 2billion US dollar worth of goods from India only (Source: ET).

Global Retail Scenario	1999	2002	2005
Total Retail (US$ Billion)	150	180	225
Organised Retail (US$ Billion)	1.1	3.3	7
% Share of Organised retail	0.7	1.8	3.2

(Source: CSO, MGI Study)

Top Retailers Worldwide

Rank	Retailer	Home Country
1	Wal-Mart Stores,	Inc.U.S.A.
2	Carrefour Group	France
3	The Kroger Co.	U.S.A.
4	The Home Depot, Inc.	U.S.A.
5	Metro	Germany

(Source: STORES / Deloitte Touche Tomahatsu)

About Retail Worldwide

- Retail is the biggest industry in the world with sales of$ 7.2 trillion.
- Every 1Oth billionaire in the world is a retailer.
- 25 of the top 501 Fortune 500 companies are retail.

Organized Retailing in South Asian Countries:

Organised Retailing in South Asian Countries:

Country	Organised Retailing	Traditional Retailing
Malaysia	50%	50%
Thailand	40%	60%
Philippines	35%	65%
Indonesia	25%	75%
South Korea	15%	85%
China	20%	80%
India	2%	98%

(Source: AF Ferguson and Co. as on 2002)

Share of Indian Organized Retail:

	1999	2002	2005
Total Retail (in billion INR)	7000	8250	10000
Organized Retail (in billion INR)	50	150	350
% Share of Organized Retail	0.70%	1.80%	3.5%

RETAILING IN ASIA:

In the last 15 years, Asia has been witnessing the entry of American and European multinational retailers into its emerging markets. Global players, such as Carrefour, Royal A hold, Tesco, and Wal-Mart, have entered into china, Japan, Thailand, Indonesia, South Korea, Taiwan, and Malaysia.

Drivers of growth:

The key reasons for the entry of American and European multinational retailers into the emerging Asian markets are as follows,

1. Asian Currency Crisis: The year 1997 witnessed the Asian currency crisis. Many of the global players seized the opportunity and took over some Asian retail chains, since the crisis had weakened the local retail groups. Many Indonesian and Thai retailers became victims of takeovers by these big players. Even in Japan, Wal-Mart acquired a 6 percent stake in seiyu, a department store, with an option to take majority stake in future.

2. Liberalization: The entry has also been triggered bu the liberalization of the retail industry in some Asian countries, Japan, traditionally closed to foreign retailers, opened its borders in the light of failing property prices and the easing of local government restrictions, In china, Carrefour, Wal-Mart, Auchan, and many other big players established themselves in big cities such as shanghai, Beijing, and Guangzhou.

3. New Retail Formats: In Malaysia and even Singapore, these global retailers also made their presence felt by enticing consumers with new retail formats and offering mass merchandising, which came with economies of scale.

4. Globalization: In 2005, the world top 30 grocery retailers consolidated sales exceeded us $2 trillion, equivalent to about 10 percent of the global retail market. Wal-Mart alone accounted for 2 percent of the entire market and 17 percent of itsannual sales came from outside the US. More than 40 percent of Carrefour sales came from its overseas operations.

Retail sales were excepted to grow in most countries in the Asia-Pacific region. Indonesia took the lead with an anticipated 16.9 percent year-on-year growth for the first half of 2005, Faster growth was also excepted from china(12.75%) and Thailand(12.3%), followed by Malaysia(8.9%), Hong Kong(8.7%), and the Philippines's(8.5%).

The Nine Major trends in Asia retail market are as follows:

1 Towards a new era of consumerism

2 Riding the waves of e-commerce and m-commerce

3 Social media increasingly become a key marketing and selling tool

4 O2O becoming mainstream

5 Technologies exert huge impact on Asia retail

6 Shifting from consumption to experience

7 Explore new business models, reinvent business to capture opportunities

8 M&A: An opportune avenue fueling growth

9 Duty-free business sees robust growth in Asia

1. Towards a new era of consumerism: Asia comprises many countries, each with different geographic, economic, political, cultural and social sphere. Consumer preferences and buying habits are different; there is no such thing as an "average Asian consumer". However, rising disposable incomes across the region has given rise to a new group of consumers – the fast-growing middle class. Asia's consumer market is and will continue to be driven by preferences of the exploding middle class, particularly the growing, influential younger consumers - millennial in the region. • In the digital era, consumers are more connected, tech-savvy, mobile and socially fluid. They demand personal products and services, look for greater satisfaction in life experience and have a strong desire for convenience and immediacy, rather than merely static material possessions.

In the digital era, consumer buying habits and preferences are significantly affected by high Internet penetration, ubiquitous availability of information and rapidly-growing social media networks.

Today, consumers in Asia are digital-savvy, mobile and socially fluid. They are highly connected and demand omni-channel experiences where they can shop any time, anywhere and with any devices. They also demand personalized products and services, look for greater satisfaction in life experience and have a strong desire for convenience and immediacy, rather than merely static material possessions.

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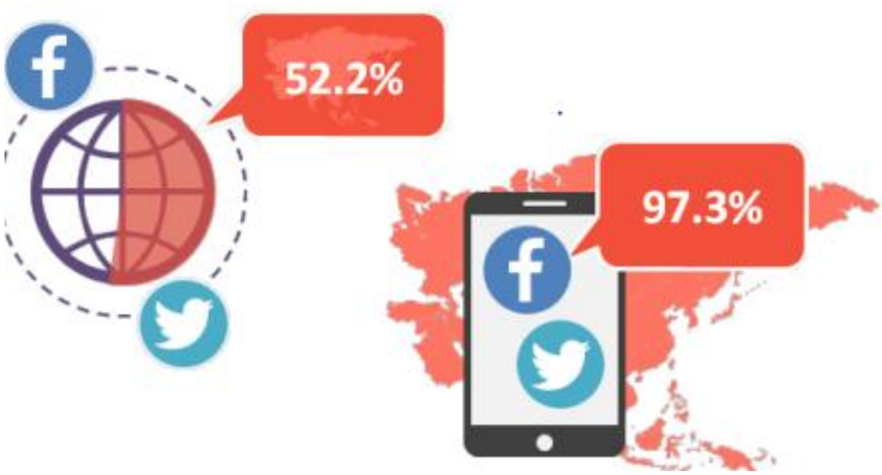
2**. Riding the waves of e-commerce and m-commerce:**Online platforms, particularly B2C marketplaces, have seen rapid developments over the years thanks to the boom e-commerce market in Asia. Some leading platforms such as Rakuten and 11street have been actively expanding overseas. • Increasing numbers of traditional retailers have set up online stores, while major e-commerce players have expanded their online marketplaces in both their own country or across Asia, hoping to reach out to more customers in Asia. • With m-commerce getting more popular among online shoppers in Asia, many retailers have launched mobile-enabled websites and mobile apps with locationbased and other interactive functions. Meanwhile, the move towards a cashless society is gaining steam. Some retailers have partnered with payment service providers to offer electronic payment services and mobile wallets with an aim to provide online customers a frictionless payment experience.

Example1:Samsung Pay reaches Thailand, following its debut in Singapore, Malaysia and China South Korea’s electronics giant Samsung fully launched its electronic payment service Samsung Pay in Thailand in January 2017 following a soft launch of the electronic payment service in November 2016 . Apart from Thailand, Samsung Pay has also reached Singapore, Malaysia and China earlier. In addition, Samsung Pay has also formed a global partnership with MasterCard to offer streamlined online payment and express checkout solution via digital payment service Masterpass starting early 2017. Masterpass is already accepted online by thousands of merchants in 33 countries worldwide.

Example2:Japan’s Tech player Liquid launches biometric payment service in Indonesia Japan’s tech company Liquid has rolled out a biometric payment service in Indonesia. The company has trialed the new payment service at local conglomerate Salim Group, offering the service to some 500,000 employees of Salim. After registering their fingerprints and deposit money in advance, users can complete payments within three seconds via the system’s fingerprint readers. Liquid would start registering users’ fingerprints in February 2017 and start installing fingerprint readers later in 2017 at stores run by Salim.

3.**Social media increasingly become a key marketing and selling tool:**Driven by accelerated Smartphone penetration and increased amount of time consumers spent online, the number of social media users has increased drastically in Asia. According to Go-Globe, the Asia-Pacific region accounts for over 52% of the world’s social media users; and over 97% of active social media users access their social media accounts on mobile devices.



Example1: Japan's popular messenger social app Line started to offer a music streaming service – Line Music in June 2015. The new streaming service allows Line's users to post music on timeline or share it in a chat room with friends on Line.

Apart from launching music streaming service, Line has also rolled out a food delivery app Line Wow, an electronic payment service Line Pay, an Uber rival Line Taxi, etc., with a hope to motivate more people to use Line and make Line an Source: Line Friends integral part of people's daily live.

Example2: Kakao Talk, a South Korean-based mobile messaging app, partnered with British luxury fashion house Burberry to broadcast its Womenswear Spring/Summer 2016 show.

•Kakao's 190 million followers could directly access Burberry's runway shows, campaigns and events on KakaoTalk, Kakao TV and Kakao Giftshop.

• Kakao Talk also offered a selection of Burberry products from the runway; Kakao Talk's users could purchase Burberry products directly from Kakao Giftshop.

4. **O2O becoming main stream:**

- O2O (online to offline integration) has grown rapidly in Asia over the past few years. The rise of e-commerce has changed the way consumers shop, making O2O retailing a key tenet of traditional retailers' strategies.

- To adapt to consumers' increasingly complex shopping journey – weaving across physical and digital channels, retailers in Asia are striving to push forward seamless integrations of physical stores and online/mobile channels, along with offering new delivery options such as click-and-collect and 24/7 parcel lockers.

- A recent O2O development in Asia is the rapid adoption of O2O in catering and lifestyle services industries. O2O food delivery, in particular, is growing rapid in many cities in Asia due to consumers' increasing desire for convenience.

Example1:7-Eleven Malaysia has paired up with local parcel locker service provider Boxit to launch a parcel locker service in some of 7- Eleven's outlets. Aiming to facilitate delivery for online shopping in Malaysia, the new service enables online shoppers to pick up their purchases in a 7-Eleven outlet most convenient to them.

Example2: Food delivery apps have been growing in prevalence in South Korea over the past few years. South Korea's leading food delivery app Baedal Minjok saw its monthly number of food delivery orders hitting 10.7 million in December, up from 7.12 million in 2015 and 5.2 million in December 2014. The average number of orders per customer also increased from 3.2 orders per month in 2014 to 3.6 orders in 2015. The food delivery market is expected to continue to expand in South Korea, as a result of new types of food delivery apps with differentiated services emerging in the market.

5.**Technologies exert huge impact on Asia retail:**

Although e-commerce is gaining substantial momentum in Asia, brick-andmortar stores still capture the majority of shopping time. Many traditional retailers have leveraged mobile Internet and digital technologies to better meet the needs of tech-savvy shoppers and satisfy forward-thinking digital-based demands.

Digital technologies such as location-based services, interactive mirrors, Internet of Things (IoT), virtual reality (VR) and augmented reality (AR) can increase shoppers' convenience, gamify the retail environment, drive customer engagement and enhance customer satisfaction.

Example1:Japan's convenience store operator Lawson has teamed up with local tech giant Panasonic to trial a new robotic checkout system at one of its outlets in Osaka. To speed up the checkout process, each item in the store is affixed with a RFID tag. Customers can simply put their purchases in a RFID sensor equipped basket and place the basket in the autonomic cashier table inside the store to have their bill calculated and purchased goods packed in a bag automatically. If the new system proves a success, Lawson will roll it out at other stores across the nation in order to save manpower costs and ease peak-hour congestion.

Example2: Lotte Department Store, a major department store chain in South Korea, launched a 3D foot scanner in July 2016. The 3D scanner can measure customer' foot size and analyze conditions of their feet, enabling shoemakers to recommend and tailor make suitable shoes for the customers. Over 1,800 customers had tried the new service and more than 800 pair of shoes were ordered as of September 2016. Once their feet are measured, customers can use the recorded data at both online and offline stores.

6.**Shifting from consumption to experience:**

- Nowadays, consumers in Asia are more sophisticated and increasingly looking for additional value – exceptional services and personalized experiences.

- The concept of "experiential shopping" has garnered significant attention in Asia. Many department stores and shopping malls have incorporated more "experiential elements" such as food & beverages (F&B), kids'-related activities, art & culture and lifestyle elements to enlighten customers with immersive shopping experience and services.

- Meanwhile, an increasing number of retailers in different segments have opened experiential stores or flagship stores that pay particular attention to service offerings and emotional engagement with customers.

Example1: South Korea's tech giant Samsung has opened its first Samsung Experience Store (SES) in Gentling Highlands, Malaysia. Located in the Sky Avenue Mall, the SES serves as a one-stop shop to engage all Samsung customers. It stocks a wide range of Samsung Galaxy mobile phones and various innovative wearables for customers to try on.

Example2: Carrefour Taiwan offers new shopping experience

Carrefour has added new elements in its new Ping Jian store in Taipei, Taiwan. With a sales area of 6,855 sqm across two levels, the store features the integration of three elements – digital application, eco-friendly and customer experiences. New applications or shopping experience include: a 3D virtual fitting room, the use of LED lights, a water recycling system and various eco-friendly materials to conserve energy consumption, a spacious rest area with nature and green outlook and an aquarium.

7. Explore new business models, reinvent business to capture opportunities:

- To cater to increasingly segmented needs of consumers, many retailers in Asia are seeking ways to revamp their businesses and come up with innovative strategies.

- Small-sized retail formats such as convenience stores and pop-up stores have enjoyed stronger growth over recent years. They have the advantage over their competitors of having closer access to their target customers, and are also able to offer faster services, along with attractive product selections and added convenience, not to mention the lower operation costs of smaller-sized stores. In view of this, some big box retailers are moving to smaller formats by opening smaller-scale stores or downsizing their stores.

- Asia consumers, especially the millennials, now demand more personalized products and services. Some retailers and leading e-commerce players have adopted new business models such as made-to-order and direct-to-consumers to appeal to the needs and tastes of specific demographics.

Example1: **Pomelo adopts M2C/D2C approach**

Pomelo, a Southeast Asian online fashion store set up by the ex-Thailand Lazada founding team, has adopted a M2C/D2C (Manufacture / Direct-to-Consumer) approach. Rather than selling products of other brands with low margins, Pomelo Fashion has focused on building its own fashion brand; it has vertically integrated its supply chain, going as far as to produce its own clothing and fashion items.

8.M&A: An opportune avenue fueling growth:

- Merger and acquisition (M&A) remains an attractive route for retailers in Asia to garner market share and accelerate growth.

- Through acquiring and forming partnership with well-established brands, retailers could achieve greater economies of scale and adopt advanced technologies, brand-building know-how and strategic repositioning opportunities.

Example1: Lazada to acquire Singapore e-grocer RedMart:

Lazada, a leading e-commerce platform in Southeast Asia, has agreed to acquire Singaporebased online grocery startup RedMart for US$30-40 million. The acquisition provides a relatively easier way for Lazada to get a foothold in the thriving online grocery field. Backed by billionaire Facebook co-founder Eduardo Saverin, RedMart was established in 2011 in Singapore and a pioneer on online grocery store in Southeast Asia.

Example2: Merger of FamilyMart and Uny forms Japan's second largest convenience store chain: In September 2016, Japan's major convenience store operator FamilyMart merged with Uny, another local retailer which owns Circle K Sunkus convenience store chain in Japan. As most of the Circle K Sunkus stores owned by Uny were converted into to FamilyMart, the total number of FamilyMart stores now amount to some 17,000 in Japan, making it the second largest convenience store chain in the nation, just after the industry leader Seven-Eleven Japan of around 18,000 stores.

9 Duty-free business sees robust growth in Asia:

- A surge in Chinese tourist arrivals has fueled the growth of duty-free businesses in both airports and downtown areas across major destinations in Asia.

- For example, South Korea's duty-free market grew drastically by 33.5% yoy in 2016, racking up sales of 12,275.7 billion won (US$10.56billion)*. Lotte Duty Free, the largest duty-free operator in South Korea, registered sales of 5,972.8 billion won (US$5.13 billion) in 2016, followed by second-placed Shilla Duty Free, with sales reaching 3,405.3 billion won (US$2.93 billion) in 2016.

- Asian countries remained the top picks for short trips and favored destinations among Chinese tourists. Among the top five overseas destinations for Chinese travelers, South Korea, considered as a trendsetter in fashion, beauty and entertainment, came first as the most popular destination for Chinese travelers in 2016*, followed by Thailand with its exquisite beaches and temples, Japan with its interesting history and culture and Taiwan with its nature and famous street food. • To cash in on the Chinese tourist boom, major duty-free players in the region have all speeded up their expansion in both airports and downtown areas.

Example1:Changi Airport traffic hits new high on Chinese tourist boom

Total passenger traffic at Singapore Changi Airport hit a record 58.7 million in 2016, 5.9% higher than in 2015. The growth was mainly driven by a 15% jump in Chinese passenger traffic in 2016. China has become Changi's third-largest tourism source market, just after Indonesia and Malaysia. The growth trend of passenger traffic at Changi is expected to persist in 2017 as Chinese visitors continue to travel overseas, with Singapore among one of the top destinations.

Example2:Hyundai Department Store to open duty free store in COEX

South Korea's major department store operator Hyundai Department Store plans to open a 14,005 sqm duty-free outlet in the Convention and Exhibition Center (COEX) in Samseong-Dong, Seoul in late 2017. The plan came after Hyundai successfully obtain a five-year duty-free license in tie-up with local major players Lotte Duty Free and Shinsegae in December 2016. The new duty-free shop will house luxury boutiques and customer lounges, offering a wide selection of luxury items and South Korean cosmetics products.

RETAILING IN EUROPE: The European Union (EU), is often taken as a proxy for "Europe". The EU has steadily grown in size from the original six members of the European

Economic Community, to now comprise 27 nations with a combined population of 495 million, with a further three countries (and 76 million inhabitants), havingapplied to join. Whilst a sizeable market, the EU however pales in comparison to applied in join. Whilst a sizeable market, the EU however pales in comparsion to China with a population of 1.3 billion, and India with 1.1 billion. Just as these vast countries should not be treated as a single consumer market, Europe is equally diverse in terms of population size, consumer culture, economic power and prevailing business practices – all of which impact on retailing.

The most recent expansions of the EU in 2004 and 2007brought the former Eastern European and Baltic states, plus Cyprus and Malta into the fold, greatly increasing its diversity. In population terms, 53.5% of the EU population reside within the four largest markets (Germany, France, UK and Italy), and individual country size ranges from 82 million inhabitants in Germany to less than 500,000 in Malta and Luxembourg. Nineteen of the member states have a population of under 11.5 million, compared to the biggest city, London, with 7.5 million. The

largest economy, Germany, is roughly the same size as the combined economies of the twenty smallest states, and the standard of living – measured as GDP per inhabitant in purchasing power standards - ranges from 15-40% above the EU average for the Northern European and Scandinavian countries to 30-50% lower for most former Eastern European and Baltic States, and around 50-60% lower in the case of Bulgaria and Romania. In short, “Europe” aka the European Union, is made up of a diverse range of individual markets of very different size and market potential.

The last twenty years, like the previous twenty, has seen significant structural change in European retailing (Jefferys &Knee, 1962; Dawson, 1982; Burt,1989; Dawson & Burt, 1998; Dawson, 2001). Although retailing in Europe is still numerically dominated by small outlets and small organizations, in all markets and all retail sectors their share of sales is falling as their competitive position weakens relative to larger organized forms of retailing. However, despite thismacro level changes in organizational structure, retail competition still takes place at the local level. This, combined with the differing socio-economic, cultural and institutional norms discussed above, generates a myriad of different retail landscapes across the continent of Europe.

Trends in the broad macro level structure of retailing in Europe are just one dimension of change. In many respects these trends may be regarded as the outcome of a number of other processes or facets of change. In the remainder of this paper attention will be paid to three broad areas of change which have dominated the European retail landscape over the past twenty years:

• The emergence of new markets.

• The evolution of the retailer as a brand.

• And the significance of time as a dimension of competition.

A second major area of change in European retailing over the past twenty years has been the emergence of the retailer as a brand per se. The position of retailing at the customer interface, means that many aspects of the retail operation are highly visible and can be easily copied by competitors, for example product ranges, selling techniques, promotional offers etc, so branding and in particular the widening of the branding concept in retailing offers some form of protection either through legal procedures or increased consumer loyalty. The emergence of private brands in Europe during the 1970s stimulated early academic interest, although this was heavily focused on identifying the characteristics of these brands and their consumers. The changing role of the brand in retailing is now more widely recognized and has been acknowledged in a special issue of the Journal of Retailing (Aliwadi & Keller, 2004). Returning to our apparent obsession with league tables, a small number of retail companies have always featured in the annual Interbrand listing of the world's most valuable brands, but since 2008 a specific retail brand listing has been produced for Europe (table 2). Whilst there is inevitably overlap with the largest European retailers shown in table 1, the brand valuation ranking gives greater prominence to apparel and non-food based retailers.

In retailing branding can be discussed from three perspectives – the product (or item); the store; and the company or organization – all of which are interlinked. Research on branding in retailing has however traditionally been considered from the product or item level, and from a largely managerial perspective. As the importance of branding in retailing has grown over the past twenty years a much more holistic concept, encompassing customer perceptions of the store, and the company as well as the product item purchased, has emerged The need for thismore holistic view can be illustrated by how we think about individual retailers as brands. For example when we talk about IKEA as a brand what do we mean? In the strictest sense we do not talk about IKEA as a product as most of the products on sale have sub-brand names (Billy, Ivar, Klippan etc), rather we talk about IKEA as a store (we go 'to IKEA', not to 'the big blue and yellow furniture store') and we talk about IKEA as a corporate concept (self assembly, the catalogue etc). Our view of IKEA and our perceptions of IKEA as a company, store, and the products on sale are influenced by our interactions and relationships with all three of these 'perspectives' of branding.

In the European grocery market the evolution of product ranges from private labels to private brands provides a clear illustration of how retailers have adopted the marketing approach and applied a customer focus to their businesses (Burt 2000). This is reflected in the development of segmented private brand ranges, based upon specific customer values as customer markets fragment; an understanding of the need for the full integration of the marketing concept to encompass the creation (product innovation), communication (packaging design) and delivery (quality, trust and consistency) of customer values; the extension of private brand ranges from core product lines (fmcg lines) into an extended product range (clothing, non-food, financial services etc…). As recognized in the schemas put forward by Laaksonen & Reynolds (1994) and Wileman & Jary (1997) the private brand range of today is very different from that found in stores twenty years ago. The “evolution” of private brand ranges has an important implication for our interpretation, and particularly any comparability either over time or across markets, of past academic research on private brand ranges.

There is, however, evidence of subtle changes in emphasis in a number of themes underlying the approaches taken to retailing by European organizations:

•The move from what is sold to how it is sold – seen in new categorizationsof retail businesses, emerging formats and channels;

•The acceptance of unpredictability as the norm – chance, opportunity, discontinuity and disruption are a feature of corporate life in retailing, and need to be expected and “managed” accordingly;

•The need to be nimble and quick in all aspects of the retail operation - to both seize or respond to market opportunities, and deliver operational effectiveness;

•The imperative of continued innovation - in products and services (the

offer), channels and formats (delivery), activities and practices (behaviors);

•The changing information needs of retailers – with a greater emphasis on “soft” information (values, attitudes etc) which help retailers to compete as brands as well as stores;

•The recognition of the role of a range of stakeholders in creating the retail experience – a wide array of stakeholders both within and outside the immediate organization and their behaviors (eg the growing importance of CSR issues and associated behaviors) co-create the retail experience;

•The emergence of the learning organization alongside the knowing organization – discrete knowledge or work practices alone are no longerenough to flourish, the ability to absorb, filter, adapt and transfer are equally valuable characteristics.

SERVICE RETAILING:

Service retailing forms an important part of retailing. It employs even more people than remaining of goods.

Many organizations that offer services to customers such as banks, hospitals, doctors, lawyers and other consultants do not consider themselves to be retailers. Due to increased competition, these organizations are adopting retailing principles to attract customers and satisfy their needs.

Other retailers that offer services to consumers include automobile maintenance , health providers, beauty parlors, hostels, education providers etc.

Characteristics of Service Retailing:

There are four unique characteristics/aspects of service retailing that influence relationship building and customer retention:

1. **Intangibility:** The intangibility of many services makes a consumer's choice of competitive offerings tougher than with goods. The intangible nature of services makes many retailers start service business on the basis of their product expertise.
2. **Inseparable:** The service provider and his or her services are sometimes inseparable. The inseparability of the service provider and his or her services means the owner-operator is often indispensable and good customer relations are pivotal.
3. **Perishability:** The perish ability of many services prevents storages and increases risks. Perishability presents a risk that in many cases cannot be overcome. Thus, revenue from an unrented hotel room are forever lost.
4. **Variability:** The aspect of human nature involved in many services makes them more variable. Variability means service quality may differ for each shopping experience, store, or service provider.

Types of service retailing:

There are three kinds of service retailing:

1. **Rented- goods services:** Whereby consumers lease and use goods for specified periods of time. Tangible goods are leased for a fixed time, but ownership is not obtained and the goods must be returned when the rental period is up. For example, Hertz car rentals, carpel cleaner rentals at a supermarket, and video rentals at a 7-Eleven.
2. **Owned-Goods services:**Whereby goods owned by consumers are repaired, improved, or maintained. In this grouping, the retailer providing the service never owns the good involved. For example, watch repair, lawn care, and an annual air-conditioner tune up.
3. **Non-goods services**: Whereby intangible personal services are offered to consumers who then experience the services rather than possess them. The seller offers personal expertise for a specified time in return for a free; tangible goods are not involved. Some examples are stock brokers, travel agents, real-estate brokers, and personal trainers.

Retail categories: services level

Retailers attract customer's not only desirable products and affordable prices, but also by offering services that enhance the purchase experience. There are at least three levels of retail service;

a) **Self-Service:** This service level allows consumers to perform most or all of the services associated with retail purchasing. For some consumers self=service is considered a benefit while others may view it as an inconvenience. Self-service can be seen with:
   1. Self-selection services, such as online purchasing and vending machine purchases,

2. Self-checkout services where the consumer may get help selecting the product but they use self-checkout stations to process the purchase including scanning and payment.

b) **Assorted-service:** The majority of retailers offer some level of service to consumers. Service includes handling the point-of-purchase transaction; product selection assistance; arrange payment plans; offer delivery; and may more.

c) **Full-service:** The full-service retailer attempts to handle nearly all aspects of the purchase to the point where all the consumer does is select the item they wish to purchase. Retailers that follow a full-price strategy often follow the full-service approach as a way of adding value to a customer's purchase.

Service retailing strategy:

A service retail strategy is a statement that identifies:

- The retailers target markets.
- The format that the retailers plan to use to satisfy the target market's needs
- The basis upon which the retailer plans to build a sustainable competitive advantages.

1. **Target Market:** Services retailers define their target markets in much the same way merchandise retailers do. For instance, traditional neighborhood barbershops typically target males who livewithin a narrow geographic boundary, without regard to income. A coaching class for IIT coaching, on the other hand, may draw their target market from a larger geographic area, but appeal to middle to higher income groups, which involves students of standard tenth, eleventh and twelfths and service, word of mouth reputation, and contacts.
2. **Format:** Typically a service provision format is decided by the industry the service retailer is in. For example, Banks normally will have branches and in a way resemble multiple or retailer chain and would like to locate outlets in central market areas or main business areas. Food retailing can be in a retail chain or independent. On the other hand, coaching classes or computer education providers may work on franchise arrangements.
3. **Location:**Having a good location is even more important for as service retailers than it is for a merchandise retailer. After all, services are perishable commodities and if a service is not available when the customer wants it, there is no second chance. Thus, an advantage wills accrue to service retailers who are able to maintain convenient locations. Location is not very important to some service retailers. Some service providers come to their customers. Example includes gardeners, exterminators or pest control, service and personal trainers or tutors.

4. **Assortment Decisions:** Service retailers face many of the same assortment decisions that merchandise retailers do. They have to make sales forecasts and develop new service lines that enable them to beat the competition. Due to the perishable nature of services, service retailers cannot stock pile as merchandise retailers can. Instead they must have extra equipment or additional services providers to meet peak demand.

   However as most of the off peak hours idle equipment and service providers would be a wastage of resources. Some service retailers use appointments/reservations to avoid customer in convenience others use different strategies for lessening the impact of having wait for service. In most barber shops you would find entertainment magazines. Placing a television or VCR with a film or cable telecast is a way of engaging customers while they wait or in transit either in airport or railway station. Assortments are shown in the picture in the form of variety of products used by the shop for arranging parties for marriages, birthday and other celebrations.
5. **Relationships with customers:**Do you ever change your barber or tailor in the same city. It is rare. Long standing relationship between customers and retailers is the key to success of service retailing. Sometimes, this loyalty is brought different routes such as memberships. However, most of the time. The personal relationship is developed with due to the trust in the service provider. Customer-service provider relationship is most important to service retailers and is based on trust, mutual understanding, faith and emotional bandage. It takes long time to develop such a relationship. Indian customers place high value to emotional relationship, such as doctor-patient, insurance agent/lawyer/travel agent-client, etc.
6. **Pricing:** services retailers use different expressions for pricing their services. These can be bill, fares, fees premiums, or commissions, consultancy charges. No matter what term is used , service retailers set prices in much the same way merchandise retailers do to achieve a planned gross margin and to generate profits. Pricing is even more complicated for service retailers than for merchandise retailers. Because customers cannot touch, feel or see the services they are buying they will trend it rely on price and other intangible cues to judge service quality. In some services such as doctors/restaurants the customer would be willing to pay more to get better services. Other services could be very price sensitive such as car stimulates demand in these price sensitive segments.
7. **Personal factors:** Because a human factor dominates in the service sector, certain personal issues require special attention. Attention to uniformity in personnel training and service delivery methods is essential. This is particularly important for the franchise business; because the owner/operators are not employees of the parent company.Another issue is the personal touch in service retailing. A doctor, who calls a patient by name, makes him/her at lot more comfortable.

FOREIGN DIRECT INVESTMENT (FDI) RETAILING:

FDI can be defined as a cross border investment, where foreign assets are invested into the organizations of the domestic market excluding the investment in stock. It brings private funds from overseas into products or services. The domestic company in which foreign currency is invested is usually being controlled by the investing foreign company. Eg. An American company taking major stake in a company in India. Their ROI is based on the performance of the project.

In the past decades, FDI was concerned only with highly industrialized countries. US was the worlds largest recipient of FDI during 2006 with an investment of 184 million from OECD (Organization for Economic Co-operation and Development) countries. France, Greece, Iceland, Poland, Slovak Republic, Switzerland and Turkey also have a positive record in FDI investments. Now, during the course of time, FDI has become a vital part in every country more particularly with the developing countries. This is because of the following reasons:

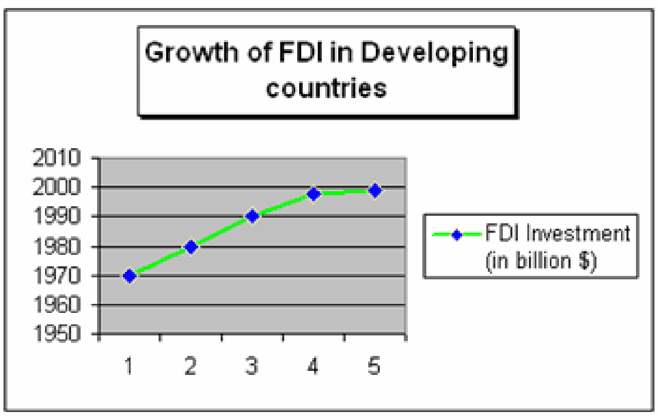
Availabilityof cheap labor.

Uninterruptedavailability of raw material.

Less production cost compared with other developed countries.

Quick and easy market penetration.

Year	$ (in billion)
1970	10
1980	20
1990	26.7
1998	179
1999	208



FDI in the Retail sector:

Retailing is one of the worlds largest private industry. Liberalizations in FDI have caused a massive restructuring in retail industry. The benefit of FDI in retail industry superimposes its cost factors. Opening the retail industry to FDI will bring forth benefits in terms of advance employment, organized retail stores, availability of quality products at a better and cheaper price. It enables a country's product or service to enter into the global market.

Cheaper production facilities:

FDI will ensure better operations in production cycle and distribution. Due to economies of operation, production facilities will be available at a cheaper rate thereby resulting in availability of variety products to the ultimate consumers at a reasonable and lesser price.

Availability of new technology:

FDI enables transfer of skills and technology from overseas and develops the infrastructure of the domestic country. Greater managerial talent inflow from other countries is made possible. Domestic consumers will benefit getting great variety and quality products at all price points.

Long term cash liquidity:

FDI will provide necessary capital for setting up organized retail chain stores. It is a long term investment because unlike equity capital, the physical capital invested in the domestic company is not easily liquidated.

Advantages and Disadvantages:

Advantages of FDI in retail sector in India:

Growth in economy: Due to coming of foreign companies' new infrastructure will be build, thus real estate sector will growconsequently banking sector, as money need to be required to build infrastructure would be provided by banks.

Job opportunities: Estimates shows that this will create about 80Lakh jobs. These career opportunities will be created mostly in retail, real estate. But it will create positive impact on others sectors as well. Read about career options in Retail sector…

Benefits to farmers: In most cases, in the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence the farmers and manufacturers lose their actual share of profit margin as the lion's share is eaten up by the middle men. This issue can be resolved by FDI, as farmers might get contract farming where they will supply to a retailer based upon demand and will get good cash for that, they need not to search for buyers.

Benefits to consumers: Consumer will get variety of products at low prices compared to market rates, and will have more choice to get international brands at one place.

Lack of infrastructure in the retailing chain has been one of the common issues in India for years which have led the process to an incompetent market mechanism.

In the last years, the Public distribution system is proved to be significantly ineffective. In spite of the fact that the government arranged for subsidies, the food inflation has caused its negative impact continuously and it can be handled by FDI.

Disadvantages of FDI in retail sector in India:

- According to the non-government cult, FDI will drain out the country's share of revenue to foreign countries which may cause negative impact on India's overall economy.
- The domestic organized retail sector might not be competitive enough to tackle international players and might lose its market share.

- Many of the small business owners and workers from other functional areas may lose their jobs, as lots of people are into unorganized retail business such as small shops.

FDI Policy With Respect To Retailing:

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010 which provide the sector specific guidelines for FDI with regard to the conduct of trading activities**.**

a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.

b) FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series).

c) FDI is not permitted in Multi Brand Retailing in India.

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

Up to 100 percent FDI is permissible in single-brand retail, subject to the Foreign Investment Promotion Board (FIPB) sanctions and conditions mentioned in Press Note 3[8]. These conditions stipulate that:

Only single-brand products are sold (i.e. sale of multi-brand goods is not allowed, even if produced by the same manufacturer)

· Products are sold under the same brand internationally

· Single-brand products include only those identified during manufacturing

· Any additional product categories to be sold under single-brand retail must first receive additional government approval.

FDI in single-brand retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand. For Adidas to sell products under the Reebok brand, which it owns, separate government permission is required and (if permission is granted) Reebok products must then be sold in separate retail outlets.

FDI in "multi-brand" retail

While the government of India has also not clearly defined the term "multi-brand retail," FDI in multi-brand retail generally refers to selling multiple brands under one roof. Currently, this sector is limited to a maximum of 49 percent foreign equity participation.

FDI can be a powerful catalyst to spur competition in industries characterized by low competition and poor productivity. Competition, in turn is the key to diffusing FDI-introduced innovation across an industry. Foreign direct investment, is also integrating the developing countries with the global economy. This in turn holds benefits for both the global economy as well as the developing countries. FDI also paves the way for industry restructuring, which enables global growth as it implies reduced production costs for companies and creation of new markets.

The government has added an element of social benefit to its latest plan for calibrated opening of the multi-brand retail sector to foreign direct investment (FDI). Only those foreign retailers who first invest in the back-end supply chain and infrastructure would be allowed to set up multi brand retail outlets in the country. The idea is that the firms must have already created jobs for rural India before they venture into multi-brand retailing.

It can be said that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the same can be deduced from the examples of successful experiments in countries like Thailand and China where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later turned out to be one of the most promising political and economical decisions of their governments and led not only to the commendable rise in the level of employment but also led to the enormous development of their country's GDP.

FDI in multi-brand retailing and lifting the current cap of 51% on single brand retail is in that sense a steady progression of that trajectory. But the government has by far cushioned the adverse impact of the change that has ensued in the wake of the implementation of Industrial Policy 1991 through safety nets and social safeguards. But the change that the movement of retailing sector into the FDI regime would bring about will require more involved and informed support from the government. One hopes that the government would stand up to its responsibility, because what is at stake is the stability of the vital pillars of the economy- retailing, agriculture, and manufacturing. In short, the socio economic equilibrium of the entire Country.

RURAL MARKETING: The **Rural Marketing** refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an effective demand for the goods and services and making these available in the rural areas, with the intention to improve their standard of living and achieving the company's objective, as a whole.

Potential of Rural Marketing:

The marketers are following the strategy to ***"Go Rural"*** because of the following attractions in the rural market:

1. **Large Population:** Still, the majority of the population in India resides in Villages and therefore, the marketers find more potential in the rural areas and direct their efforts to penetrate the rural market.
2. **Increased Income:** The income and the purchasing power of the rural people have increased. With the use of modern agricultural equipment and technology, the farmers can produce more and can get better returns for their agricultural produce. The increased income motivates a farmer to improve his livelihood by purchasing a good quality product and thus, the marketer gets an opportunity to enter into the rural market.
3. **Competition in Urban Market:** There is a lot of competition in the Urban market, where people are well aware of the goods and services and have created a brand loyalty. Therefore, the marketers move to the rural market to escape the intense completion and generate revenues from the untapped areas.
4. **Improved Infrastructure facilities:** Today, many villages are well connected with the roads and transportation facilities that enable the marketer to access the rural market and promote his goods and services. With the growth in telecom services, the rural people can be reached easily via mobile phones.
5. **Saturated Urban Market:** Also, the marketers may move to the rural markets, when the urban market has reached the saturation point, the i.e. market is well stuffed with the products, and the consumers are not likely to make a frequent purchase due to the varied options available in the market.

6. **Support of Financial Institutions:** Several Co-operative banks and public sector banks offer the loan facility to the rural people at low-interest rates. With the loan, the purchasing power of an individual increases, thus resulting in a better standard of living.
7. **New Employment Opportunities:** The Government is running several employment opportunity programmers', with the intention to engage people in other activities apart from the agriculture occupation. The Integrated Rural Development Program me (IRDP), Jawahar Rozgar Yojana (JRY), Training Rural Youth for self-Employment are the certain programmers', designed to increase the livelihood of rural people.Due to so much potential in the rural areas, the companies are focusing more on the needs and desires of people living in here and are taking every possible step to stimulate people to buy products and services and improve their livelihood.

The rural market of India started showing its potential from the 1960s and the 70s and 80s showed its steady development. During 90's, there was a steady growth of purchasing power of rural India, and there are clear indications that the 21st century is going to see its full blossoming.

In our country, where research on consumer behavior has been limited to names only, not much synchronized information is available about the rural consumers. Only a few big companies known for their marketing orientation, for example Hindustan Lever, Philips India, Asian Paints, Larsen and Toubro, TATA group have made concrete efforts in this direction.

There are many aspects that affect rural marketing, for instance, the rural buyers are not very discriminating. Once they are persuaded to buy a particular product, they develop a strong felling for it, and become brand loyal. As a result, Indian manufacturers generally prefer selling fewer items at higher prices than selling more items at lower prices.

Another thing is that the rural buyers are not particularly keen about quality and packaging because of which consumer research is not accurate for entering the rural market.

In recent years, the rural sector gives a unique opportunity to expand their market since the urban segment is showing clear signs of saturation. The nature and characteristics of rural market is quite different than the urban market. Therefore, it is necessary to understand the rural area characteristics and environment and take action accordingly.

India is a land of diversity and about **70% of the population lives in villages**. To a large extent, villages contribute towards the economic development of the nation through the production of food grains, vegetables, fruits etc. Export of these agricultural products generates capital and earnings from foreign exchange.

Rural marketing involves a bunch of processes that includes developing, pricing, promoting, distributing rural specific product and service which satisfies the consumer demand and also achieves organizational objectives as expected from the target market. It is basically a three-way marketing stage where the transactions can be −

- **Urban to Rural** − It is a process of selling the products and services by urban marketers in rural areas. These products mostly include pesticides, FMCG products, consumer durables, etc.
- **Rural to Urban** − It is a process where a rural producer sells his products in urban market. This may or may not be direct, but mostly there are middlemen, agencies, government co-operatives etc. who take initiatives in the successful running of the selling process happen successfully in an appropriate price.
- **Rural to Rural** − It is a process which includes selling or exchange of agricultural products, tools, cattle, carts and others to another village in its proximity.

Nature and Characteristics of Rural Market:

There is a saying that the proof of the pudding lies in eating it, like this the proof of all production lies in consumption or marketing. The speed of technological improvement increases the buying capacity in people. They prefer more and better goods and services. The globalization of the Indian economy has given an advantage to production and mass distribution of goods and services

Taking these into consideration, there may arise a question whether marketers can concentrate their activities in urban India consisting of metros and large industrial townships only, or extend their activities to rural India. The heart of India lies in its rural parts.

Rural market is different from urban market with respect to its economic and functional characteristics. The characteristics, purchasing and consumption pattern of rural people are completely different from the urban people. Due to the impact of globalization there is a fast change in rural environment. The composition of supply and demand has also changed significantly.

To understand this development process in the rural areas, awareness on current environment is very necessary. Knowing the exact change in consumption of durables is also very important for the marketers to deal with rural consumers.

Rural market in India is not a different entity in itself, but it is highly influenced by the sociological and behavioral factors of the country. The rural market in India brings in bigger revenues for the country, as the rural region consists of a maximum number of consumers in this country. The rural market in Indian economy generates revenue almost more than half of the country's annual income.

ETHICS IN RETAILING:

Ethics in retailing pose certain critical issues. Retailers may use certain ethical standards that guide decision making when confronting questionable situations that may not be covered by law. Retail sales have been selected as an important frame of reference as the retail salespeople are likely to encounter situations that could be ethically troublesome. The aim of this report is to investigate the ethical and unethical practices of retailers and the ethical beliefs of retail sales-force.

Ethics in the retailing sector has some certain critical issues. Retailers may use certain ethical standards which help them in decision making. The report investigates the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people across different socio-economic classes in India and how the urban and semi-urban retail markets are witnessing significant growth.

There are a number of important scenarios that retailers‘ salespeople believe are not ethically troublesome.

i) Persuading a customer to make purchase was considered acceptable. Convincing potential consumer and making a sale is considered as an objective of communication strategy.

ii) Making use of a sales contest for salespeople in order to generate sales to customers is also considered to be acceptable. Sales contests are often used as an incentive to help salespeople and managers to persuade potential customers to make a purchase. In terms of achieving sales targets, the retail sales personnel and the store manager work as a team towards achieving the target. They do not come across ethically troublesome situations.

iii) Socializing with management and fellow employees is considered an acceptable scenario by the respondents. Socializing is part of corporate culture of the retailers and helps teamwork. Ethical belief s of the retail organization’s staff at different levels are important and therefore have to be understood for the emerging practices in retailing today. There is an increasing trend towards greater empowerment of employees and towards flatter organizational structures. In retailing where managers and sales personnel are working closer together, unlike field salespeople who work long periods without their managers, the different culture between salespeople and managers may not exist.

a) Ethical practice towards consumers:

The retailers should charge fair price for the products offered to them. The consumers have the right to get correct and precise knowledge about the products sold to them in respect of warranty, guaranty, price, usage, ingredients etc. Ethics is essential for the long run of the business. Ethicalbusiness is essential in today‘s competitive and dynamic environment.

b) Ethical practice towards investors/shareholders:

The shareholders are the owners of the business. Shareholders must be given fair returns on their investment at regular intervals. The share holders should be disclosed with correct information about the financial status of the business organization. The business organization must act in the interest of the shareholders.

c)Ethical practices towards employees:

Ethical practices must also be followed towards the employees. The retail industry employs large volume of retail staff. Therefore proper policies and procedures must be framed for the employees regarding recruitment, selection, training, promotion, welfare etc. Negative issues relating employment relations in the work place can lead to loss of reputation and customers, itleads to poor staff morale, low productivity, and high labor turnover. To avoid these confrontations the retail manager should follow ethical practices towards employees.

ETHICS OF RETAIL SERVICE EMPLOYEES:

Retail employees require a comprehensive range of skills and qualities in order to interact effectively with customers. These qualities include**:**

Attendance and punctuality:ensuring that you arrive at work for your shift on the correct day and time. This also requires the sales assistant to return from lunch breaks on time to ensure that the store operates efficiently.

Ethical behavior: This refers to doing the ―right thing‖ at work. For example, notgiving discounts to friends or stealing from your employer.

Work performance:A sales assistant should always perform their work duties to the highest standard.

Taking directives: Being able to correctly follow the directions and instructions given by supervisors and managers.

Attention to detail: This involves being thorough in all work activities. For example, completing documentation correctly and ensuring all stock is arranged as required and placed in the correct area of the store.

Personal presentation and grooming: wearing the correct attire according to store policy which may include the wearing of a name badge. Personal hygiene is very important, so shower before work and ensure your uniform is washed and ironed.

Confidentiality: keeping personal details of work colleagues and customers private. Do not disclose personal details or credit details.

Safe work practices:perform all work duties following OHS regulations, including safe manual handling techniques and use of personal protective equipment when required.

Other Ethical labels:

FSC (Forest Stewardship Council): Major retailers have switched to sustainable wood, a prohibition on endangered species, discontinuing teak, etc.

MSC (Marine Stewardship Council): Slowly major retailers are attempting to shift their fish stocks to sustainable sources, ensuring that the fish are caught or reared with minimal impact on stocks, eco-systems, and the wider environment. The biggest issues seem to be with salmon and cod, using line-caught methods.

Freedom Food: Agreed standards for UK-sourced food involving humane treatment for animals. There are problems here with pork sourced from the Netherland and Poland apparently given a UK label because it is sourced here.

Red Tractor Label: Assured food standards umbrella for UK product, covering 6 different program me areas and 6 related schemes responsible for £10 bn sales. Organic standards for rearing pork actually provide far more space for pigs than Red Tractor or Freedom Food.

Ethics in the retailing sector has some certain critical issues. Retailers may use certain ethical standards which help them in decision making. The report investigates the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people across different socio-economic classes in India and how the urban and semi-urban retail markets are witnessing significant growth.

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UNIT-2

UNDERSTANDING SHOPPERS & SHOPPING

UNDERSTANDING SHOPPERS & SHOPPING: Shopping is an activity that we perform with a high level of regularity and involvement. It is more than just a necessity – it is a desirable activity that appeals to the inherent nature of humans. We are basically a social species ,and most of us would like to spend some part of our leisure time in socializing .Thus, a market is not just a place to exchange goods and money. It is a place to see and be seen at .Going to the market is as much a social activity as our children's cricket match or a visit to a temple or a place of worship. Shopping is considered as an important part of our social life - this is reflected in the fact that a visit to a market is even part of children's education and nursery rhymes.

CONCEPT OF SHOPPING:

The concept of shopping can be understood from a number of different perspectives. In order to develop a conceptual framework and a holistic view of shopping and shopping behaviour, shopping could be viewed from three dimensions:

a) The shopping environment

b) Shopping in a socio-cultural context, and

C) Shopping and the individual.

a) Shopping environment:A *retailer* or a *shop* is a business that presents a selection of goods and offers to trade or sell them to customers for money or other goods. Shopping is an activity in which a customer browses the available goods or services presented by one or more retailers with the intent to purchase a suitable selection of them. In some contexts it may be considered a leisure activity as well as an economic one.

In modern days customer focus is more transferred towards online shopping worldwide people order products from different regions and online retailers deliver their products to their homes, offices or wherever they want. The B2C (business to consumer) process has made it easy for consumers to select any product online from a retailer's website and have it delivered to the consumer relatively quickly. The consumer does not need to consume his energy by going out to the stores and saves his time and cost of travelling.

The shopping experience may vary, based on a variety of factors including how the customer is treated, convenience, the type of goods being purchased, and mood.

The shopping experience can also be influenced by other shoppers. For example, research from a field experiment found that male and female shoppers who were accidentally touched from behind by other shoppers left a store earlier than people who had not been touched and evaluated brands more negatively, resulting in the Accidental Interpersonal Touch effect

According to a 2000 report, in the U.s New York, women purchase 80% of all consumer goods and influence 80% of health-care decisions.

b) Shopping in a socio cultural contest: Shopping is an activity that goes beyond the traditional purchasing activities of buying grocery/provisions when required. Modern day shopping is a private pursuit, involving the experience of wandering among a crowd and responding to a wide range of stimuli. It highlights the shops are places where the ordinaries of everyday life is transformed into a series of fragmented stimuli.

Shopping can take many shades, as different as being a hedonic recreation or running errands or fulfilling chores. It is a type or ritual that adds cultural meaning and personal relevance to goods, as also an activity that enables information gathering. Essentially, shopping is a means of satisfying many non-purchase-related motives as well as an instrumental means of purchasing.

Although shopping is primarily aimed at collecting information, enabling shoppers to ensure that they make the right decision, it also gives them emotional satisfaction. Shoppers take into consideration the information that they acquire in the store, in addition to the information collected before visiting the store, to decide on purchases.

C) Shopping and the individual: Shopping facilitates an individual to escape from the realities of the environment and also allows a temporary alteration of the individual's self-concept. Shopping is also a type of compensatory consumption, which includes browsing and window shopping and, in some cases, the actual purchase becomes a medium to make up for a perceived deficiency. Shopping motives are contextualized within an environment with networks of relationships between the shopper and the store, the merchandise, and other shoppers.

- Some of the social motives that shoppers seek to fulfill are as follows:
- Social experiences outside one's home.
- Communication with others who share similar interests

- Peer group attraction- the patronage of a store sometimes reflects a desire to be with one's peer group or a reference group one aspires to belong to.
- Status and authority- many shopping experience provide the opportunity for an individual to command attention and respect.
- Pleasure of bargaining.

Traditionally women have not had the financial resources to indulge in many types of leisure activities, but as the business executives of the home they have had personal control over spending for the family's consumption and housekeeping shopping as an activity are seen as complementary to female roles. Engagement with, and responsibility for, shopping has had an impact on the traditional role of a woman. Which has undergone change due to changes in the shopping environment?

SHOPPING PROCESS:

The shopping process has different steps involved as follows:

1. Problem Recognition:

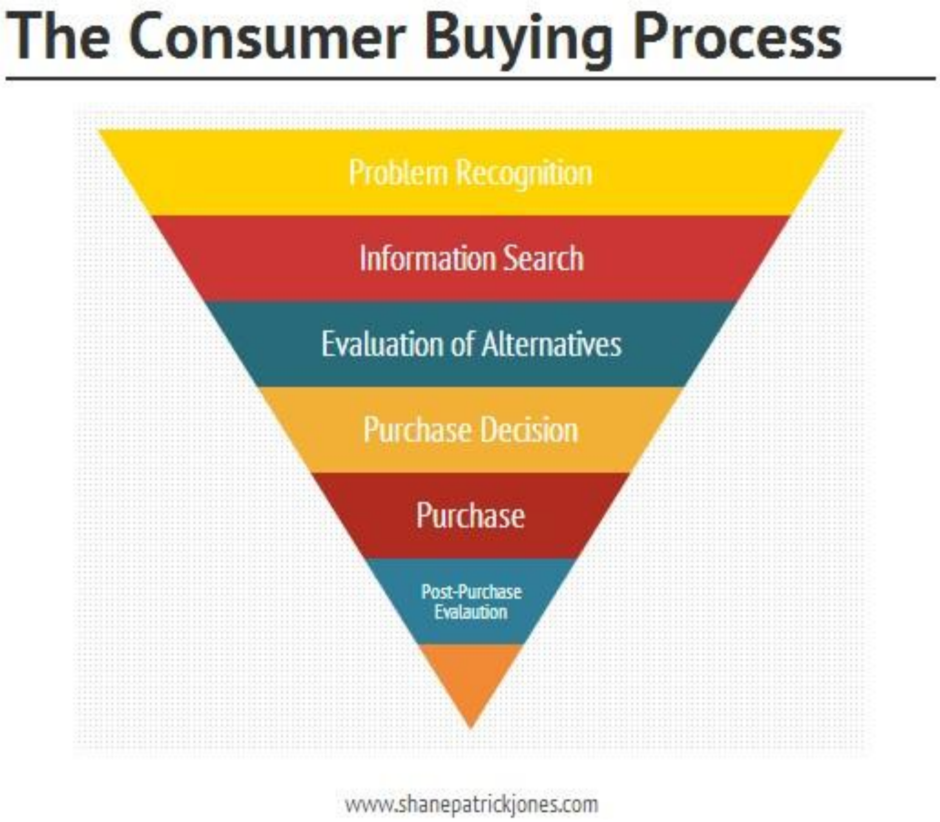
Put simply, before a purchase can ever take place, the customer must have a reason to believe that what they want, where they want to be or how they perceive themselves or a situation is different from where they actually are. The desire is different from the reality – this presents a problem for the customer.

However, for the marketer, this creates an opportunity. By taking the time to "create a problem" for the customer, whether they recognize that it exists already or not, you're starting the buying process. To do this, start with content marketing. Share facts and testimonials of what your product or service can provide. Ask questions to pull the potential customer into the buying process. Doing this helps a potential customer realize that they have a need that should be solved.

2. Information Search: Once a problem is recognized, the customer search process begins. They know there is an issue and they're looking for a solution. If it's a new makeup foundation, they look for foundation; if it's a new refrigerator with all the newest technology thrown in, they start looking at refrigerators – it's fairly straight forward**.**

As a marketer, the best way to market to this need is to establish your brand or the brand of your clients as an industry leader or expert in a specific field. Methods to consider include becoming a Google trusted store or by advertising partnerships and sponsors prominently on all web materials and collaterals.

Becoming a Google Trusted Store, like CJ Pony Parts – a leading dealer of Ford Mustang parts – allows you to increase search rankings and to provide a sense of customer security by displaying your status on your website.Increasing your credibility markets to the information search process by keeps you in front of the customer and ahead of the competition



3. Evaluation of Alternatives: Just because you stand out among the competition doesn’t mean a customer will absolutely purchase your product or service. In fact, now more than ever, customers want to be sure they’ve done thorough research prior to making a purchase. Because of this, even though they may be sure of what they want, they’ll still want to compare other options to ensure their decision is the right one.

Marketing to this couldn’t be easier. Keep them on your site for the evaluation of alternatives stage. Leading insurance provider Glicoallows customers to compare rates with other insurance providers all under their own website – even if the competition can offer a cheaper price. This not only simplifies the process, it establishes a trusting customer relationship, especially during the evaluation of alternatives stage.

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

This means it’s time to step up the game in the marketing process by providing a sense of security while reminding customers of why they wanted to make the purchase in the first time.

At this stage, giving as much information relating to the need that was created in step one along with why your brand, is the best provider to fulfill this need is essential.

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

5. Purchase:A need has been created, research has been completed and the customer has decided to make a purchase. All the stages that lead to a conversion have been finished. However, this doesn't mean it's a sure thing. A consumer could still be lost. Marketing is just as important during this stage as during the previous.

Marketing to this stage is straightforward: keep it simple. Test your brand's purchase process online. Is it complicated? Are there too many steps? Is the load time too slow? Can a purchase be completed just as simply on a mobile device as on a desktop computer? Ask these critical questions and make adjustments. If the purchase process is too difficult, customers, and therefore revenue, can be easily lost.

6. Post-Purchase Evaluation: Just because a purchase has been made, the process has not ended. In fact, revenues and customer loyalty can be easily lost. After a purchase is made, it's inevitable that the customer must decide whether they are satisfied with the decision that was made or not. They evaluate.

If a customer feels as though an incorrect decision was made, a return could take place. This can be mitigated by identifying the source of dissonance, and offering an exchange that is simple and straightforward. However, even if the customer is satisfied with his or her decision to make the purchase, whether a future purchase is made from your brand is still in question. Because of this, sending follow-up surveys and emails that thank the customer for making a purchase are critical.

Take the time to understand the six stages of the consumer buying process. Doing this ensures that your marketing strategy addresses each stage and leads to higher conversions and long-term customer loyalty.

SHOPPING BEHAVIOUR

A shopping situation is a particular act of buying behavior occurring at a specific point in space and time. An interesting example would be a customer seeking service at the Lakme beauty parlors- these beauty parlous are open to customer seeking on all the seven days of a week, from 10 a.m. to around 7 p.m., in the midst of soft lights while the strains of sarangi and sarod soothe the customers frayed nerves, which is simply a behavior setting. The situation serves as an interface between the person and the stimulus-object and all those factors defining that interface constituting situational variables.

Influence of situational variables on shopping behavior:

Situational variables refer to all those factors particular to a time and place of observation which do not follow from knowledge of personal and stimulus attributes. Such attributes range from store location and layout to time of day and the presence of others. These can be classified into four distinct dimensions of situational influence:

1. Physical setting
2. Social setting
3. Temporal perspective
4. Task definition

    1. **Physical setting:** The physical setting covers geographicallocation of the retail but might equally be seen in terms of the environment in which the consumer reads a catalogue, or accesses a shopping centre and a particular store. Shoppers who travel for half an hour or more are considered ‘far shoppers’; those who travel for less than half an hour are considered ‘near shoppers’/ at the same time, shoppers who usually shop before 3 p.m. are designed ‘early shoppers’, and those who usually shop after 3p.m,. are designated ‘late shoppers’.

       It also subsumes influences on behavior resulting from environmental conditions, such as weather or climate, placement of merchandise, access to information in a store, and background music or color scheme.

    2. **Social setting**: The social setting describes the presence or absence of others, together with their social roles, role attributes, and opportunities for interaction. Therefore, it encapsulates everything- security staff in the shopping centre or store, opportunities for interaction with sales staff, friends or relatives accompanying the consumer on the shopping trip and even to proximity of other customers present in the store or services cape.

       The shoppers who are accompanied by other people are considered to be ‘social shoppers’, those who are unaccompanied are designed ‘solitary shoppers’.

    3. **Temporal aspects:**Temporal aspects are very important elements that affect the situational variables. Time of day and constraints upon time available for shopping are variables with very obvious effects on buyer behavior, for instance, factors such as seasonal variations in the available product range-a particularly important situational variable within the context of both fashion shopping and perishable purchase. Milk is purchased from vendors or retail outlets by most of the people in India in morning hours or evening hours. Women prefer shopping hours of their target segments. Shoppers who spent less than an hour or more were designated ‘slow shoppers’.

    4. **Task Definition:** Task definition is more individual-specific and encompasses cognitive and motivational indications of the shopping situation, effectively capturing situational influences on the task definition, information search, and evaluation stages depicted in traditional consumer decision-making models. The difference in the degree of information processing behavior varies for practical or hedonistic products, products for self-consumption versus gift purchases for others, etc.

       For example, a young executive going alone for dinner will choose an eating joint that offers hygienic food at low prices with quick service, The same person may choose an up market restaurant with inviting décor, ambience, and compatible social surroundings when he is on a date with his girl friend. Low prices and quick service may actually be dysfunctional, in such a situation.

Many sections of the Indian middle class usually prefer to purchase garments for day-to-day use from retailers dealing in unbranded merchandise at lower prices. However, they prefer to visit an outlet offering branded products which are normally higher priced when they need to shop for a special or festival occasion such as Diwali, id, marriage, etc.

The sound understanding and importance given to the influence of situational variables in devising the retail marketing mix will ensure the effective and profitable output to the retailers.

Consumers image of a retail outlet plays an important role in determine the nature of shopping behavior. In this context, it is important to understand the factors that affect the image formation of a retail store along with the process of its formation.

THE CUSTOMER DECISION MAKING PROCESS

An individual who purchases products and services from the market for his/her own personal consumption is called as consumer. To understand the complete process of consumer decision making, let us first go through the following example:

Tim went to a nearby retail store to buy a laptop for himself. The store manager showed him all the latest models and after few rounds of negotiations, Tim immediately selected one for himself. In the above example Tim is the consumer and the laptop is the product which Tim wanted to purchase for his end-use.

Why do you think Tim went to the nearby store to purchase a new laptop ?

The answer is very simple. *Tim needed a laptop*. In other words it was actually Tim's need to buy a laptop which took him to the store.

The Need to buy a laptop can be due to any of the following reasons:

- His old laptop was giving him problems.
- He wanted a new laptop to check his personal mails at home.
- He wanted to gift a new laptop to his wife.
- He needed a new laptop to start his own business.

The store manager showed Tim all the samples available with him and explained him the features and specifications of each model. This is called information. Tim before buying the laptop checked few other options as well. The information can come from various other sources such as newspaper, websites, magazines, advertisements, billboards etc.This explains the consumer buying decision process.

A consumer goes through several stages before purchasing a product or service.

NEED
↓
INFORMATION GATHERING/SEARCH
↓
EVALUATION OF ALTERNATIVES
↓
PURCHASE OF PRODUCT/SERVICE
↓
POST PURCHASE EVALUATION

1. **Step 1 – Need for the product or service:**

   Need is the most important factor which leads to buying of products and services. Need in factis the catalyst which triggers the buying decision of individuals.

   An individual who buys cold drink or a bottle of mineral water identifies his/her need as thirst. However in such cases steps such as information search and evaluation of alternatives are generally missing. These two steps are important when an individual purchases expensive products/services such as laptop, cars, mobile phones and so on.

2. **Step 2 –Searching for information:**

   When an individual recognizes his need for a particular product/service he tries to gather as much information as he can.An individual can acquire information through any of the following sources:

   - Personal Sources - He might discuss his need with his friends, family members, co workers and other acquaintances.
   - Commercial sources - Advertisements, sales people (in Tim's case it was the store manager), Packaging of a particular product in many cases prompt individuals to buy the same, Displays (Props, Mannequins etc)
   - Public sources - Newspaper, Radio, Magazine
   - Experiential sources - Individual's own experience, prior handling of a particular product (Tim would definitely purchase a Dell laptop again if he had already used one)

3. **Step 3 - Evaluating alternatives:**

   The next step is to evaluate the various alternatives available in the market. An individual after gathering relevant information tries to choose the best option available as per his need, taste and pocket.

4. **Step 4 – The purchase Decision:**

   After going through all the above stages, customer finally purchases the product.

5. **Step 5 - The Purchase Decision:**

   The purchase of the product is followed by post purchase evaluation. Post purchase evaluation refers to a customer's analysis whether the product was useful to him or not, whether the product fulfilled his need or not?

INDIAN SHOPPERS

Time of day is considered a physical dimension rather than a temporal one. Shopping in the Indian market during the daytime is a rather different physical experience than shopping during the evening hours. Consequently, it is hardly surprising that the Indian shopping tend to visit the market in the later part of the day rather than the earlier and hotter daytime, especially during summers.

Whereas, during winters consumers prefer to shop during time before sunset. There would be no such distinction in the climatically controlled Malls emerging in India, particularly in the metros. Consequently, the time of day situational variable may undergo a metamorphosis as the years pass. In India, retailers, in particular service providers; highlight the fact that their outlets or stalls possess superior cooling fans to beat the heat.

For example, in the last two years, most of the Cineplex's in the major cities carried out a drive to introduce effective air conditioning systems in their theatres to attract the crowds during morning or noon hours in north India.

Another constraining factor is poor availability of transportation. The private car is only owned by 11% of the Indian population. This reflects the sheer inconvenience of carrying too many purchases over a longer distance using two-wheelers, bicycle, scooters, or public transportation as the primary mode of transportation.

A higher proportion of shoppers in India prefer products other than food or beverages in the company of their relatives or friends. There may be marketing implications to thirds phenomenon. One interpretation is that in the western countries a mall visit can be a recreational activity-given the comfortable and pleasing environment whereas in India a visit to an open traditional market carries a more specific purchase intent.

From e retail-marketing point of view the difference in the layout of the two sites dictates a particular shopping behavior. Malls are equipped with restaurants, cafés, food courts, and other places to eat. Customers are thud encouraged to interrupt their shopping and eat or drink while sitting down comfortably. On the other hand, even through the traditional market has many stalls providing food and beverages, these items are consumed right next to the outlet selling other products or while the customer is walking around the market.

Thus, a marketer might be able to stimulate additional sales by providing enhanced physical surroundings. For example, leading eating joints in India such as Haldiram, Nirulas regularly carry out a massive drive to renovate their stores layout and provide comfortable infrastructure and inviting ambience to attract consumers to their stores.

DEMOGRAPHIC OF INDIAN SHOPPERS:

The demographics of Indian shoppers in detail.

1. **Population growth:** In 1990, India's population was 850 million. Within a decade it increased to 1 billion, indicating an annual growth rate of 2.05 per cent. The current population of India is around. 1.19 billion. By 2030, the population of India will be the largest in the world, estimated to be around 1.53 billion. The estimated birth rate is 20.97 per 1.000 people and the estimated death rate is 7.48 per, 1000 people. The net migration rate is 0.05 migrants per 1000 people.
2. **Life expectancy**: Life expectancy in India, while still low when compared to developed economies, improved during the twentieth century. In 1920, women in India could expect to live to just 20.9 years of age, and men to 19.4 years, with the average figure being 20.2 years. By 1990, these figures had risen to 57.9 years for women and 57.08 for men. According to the current 2011 estimate, the life expectancy at birth is 65.77 years for males and 67.95 years for females. Improved health care and rising levels of prosperity are helping to increase life expectancy and decrease mortality from many preventable diseases
3. **Age segmentation:** In 1990, the population between the segment 0-14 years was 36.2 per cent. It shoed a further decline at 33.5 percent in 2000, 31.5 percent in 2005, and 30.5 percent according to the 2009 estimate. In 1990, the population above 65 years of age was 4.3 percent, growing up to 4.9 percent in 2000, and 5.3 percent in 2005. It is 5.5 percent according to the 2011 estimate. The current median age is about 26.2 years.

   According to euro monitor, it will increase to31.7 years by 2030. As India's birth rate has traditionally been high, the proportion of the population at the working age(20-44 years) is projected to increase from 35.2 per cent in 1996 to 40.5 per cent in 2016. Those aged 45 and over accounted for just 17.3 per cent in 1996- a proportion that is likely to rise to 23.5 per cent by 2016.
4. **The middle class:** The middle class is the central theme and the target of the new market in India. India's middle class already bigger than the population of the us, is excepted to grow to 40-70 million by 2007. Moreover the age profile of the population is likely to sustain consumer spending as more than 45 percent of Indians are under the age of 20.
5. **Rural shoppers:** Rural areas, where over 70 percent of the Indian population still lives, areWitnessing widespread changes in the shopper market. In fact, the rural market has outpaced India's urban market in demand for durable and non-durable goods. Estimates suggest that the rural market is growing twice as fast as the urban market. Due to agricultural growth, income redistribution, and the communication revolution.

6. **Number of households and household's size**: The number of households rose steadily during the 1990s in India. In 2000, the total stood at 186 million households. It was expected to go up to 231 million in 2010, showing a decline in growth rate to 5.14 percent. The household number grew between 1995 and 2000 at a rate of 2.28 percent to 2.36 percent, but decreased to 2.22 percent in 2006 and was expected to decline to 2.098 percent in 2010. It is likely to go down to 1.45 percent in 2025.

7. **Changing shopper profile:** India's economic diversity matches its social diversity. Technology ranges from bullock cart with modern wheels to space satellite capability. The demand for shopper goods is also diverse and growing, and includes chewing gum, mineral water, tissue paper, fast food, and denims, besides the necessities. In the area of information and telecom technology, it may range from email, voicemail, fax, and cell phones to PCS, laptops, and internet access to teleconferencing. Indian shoppers are also buying luxury and entertainment products, such as TVs, home theatres, CD and DVD players, camcorders, and digital camera.

   The growth in shopper spend and changes in consumption patterns have been facilities by government policies that increased the availability of a wide range of merchandise, encouraged shopper demand, and helped in developing the market infrastructure.

8. **Socio cultural profile:** In a study conducted among shoppers, two shopper topologies were developed the Hindi medium type(HMT) and the English medium type(EMT). These two types of shoppers showed marked differences in their ability to adapt to new concepts and products. While it may be true that HMTs have had their primary education in Indian language medium schools, this was not always the case.

   Both groups were comfortable in the English language in a work setting, but the HMTs were more comfortable in their mother tongue. They switched to that language at the first opportunity. The HMTs looked up to the EMTs, for innovating and were quite happy to follow them. The EMTs did not look up to the HMTs, even for cultural leads, and felt that they were more modern while the HMTs were tradition-bound.

Psychographic profile of Indian shoppers:

In this section, we shall look at the profile of Indian shoppers, as highlighted in many studies.

a) **Segments of men:** A large urban city study conducted to profile Indian men has shown four broad groups:

   - The traditional man is conservative, driven by values, cherishes family, and avoids ostentation**.** This category spans all age groups, is mostly married, belongs to the second tier in the SEC ladder, and accounts for 36 percent of the men studied.

   - The pleasure seeker is a self-oriented person, driven by status and status symbols. He is a risk-taker and a pleasure-seeker. He is young, unmarried, and lives in a metro city. This category accounts for over 40 percent of the men.

   - The social chameleon is a hypocrite of sorts who wants to project the right image. Tech-sways and individualistic, he is aged between 30 to 40 years and accounts for 17 percent of the men.

- The intrinsic progressive man is a futuristic person. He believes in family values and equality of sexes, is non-traditional, tech-sways, and young, and belongs to the executive class. This category accounts for 7 percent of the men.

b) **Segments of Women:**The above mentioned study categorized Indian women in the following manner.

- The contented conservative is a housewife who is happy with her state of life/society.
- The archetypal provider believes that her role is to provide for and look after the well-being of her family.
- The anxious rebel is a working woman who is not happy with the existing state of affairs.
- The troubled homebody is a housewife who is not happy with the existing state of affairs.
- The tight-fisted traditionalist is a traditional woman who believes in saving for tomorrow.
- The affluent sophisticate is an affluent woman who is comfortable with the finer things in life.
- The contemporary housewife is a housewife who plays an active role in the household and sees herself as equal to her husband.
- The gracious hedonist is a working woman who believes in looking after herself well.

c) Youth Segments:
The youth has been classified into the following five psychographic segments.

Homebodies: they are largely traditional, have low individuality and very few aspirations for self, and keep duty and morality at the core of their values. They are not interested in bands, and are the last to pick up on trends and fashion. They are uneasy with the opposite sex and are focused on their education/job, but not their career. They are bookworms.

Two-faced youths: they are inwardly traditional and outwardly modern. The body tattoos co-exist with kyunki saas bhi kabhi bahu thi. Once married, they feel the need to enjoy life to the fullest. They also exhibit openness with the opposite sex and the need to be aggressive to get ahead in life.

Wannabes: this is a large cluster. They are materialistic show-offs. They are extremely competitive. They are desperate to be a part of a crowd, and are trend followers who aggressively seek out lifestyle cues and adapt them are uncomfortable with the opposite sex; they tend to show a great desire to attract them.

Rebels: this is the largest cluster. They may be first generation educated professionals, experiencing winds of change in the form of education as the means to a career, wealth, changes in lifestyle, and independence. Their parents are very traditional. Their rebellion is not overt.

Their responses are guarded as they are either unsure or do not wish to express and commit themselves. They exhibit heavy reliance on friends, and are not understood by their parents.

Cool guys: they are the influencers. Others want to be like them. They fall in the work hard, play harder category. They are confident and have a strong sense of individuality. Their friends are very important to them. They have lots of aspirations. They like to experiment, and are liberal or westernized. They are brand and label conscious. To them the west is a dream for studies.

Factors influencing the retail shopper in India:

Retailer also needs to understand the competitors and how the customers perceive them. This would help the firm understand how they are perceived vis-à-vis the competition. It is also important to understand why consumers choose the competition over your product. This analysis may reveal some startling facts, and provide direction for future differentiation strategies. At the heart of every business strategy must be a deep understanding of consumers.

Why we buy 'The Science of Shopping' brings out some key facts about how consumers buy and the various influences on the same. The book brings out a key fact that most purchasing decisions are influenced and made on the shop floor itself. Highlighted are the facts that various aspects like sign ages, shelf position, display space and fixtures, all influence the shopper in his buying decision. The science of shopping is a hybrid discipline, part physical science and part social science and only part science at all, because it is also an art. It is practical field concerned wit providing information that can improve the retailer' edge and reduce the odds of making a wrong decision. Much of the value of the science lies in the ability to go beyond collecting data and making educated guesses about what it means an how best to respond.

The behavior of retail shoppers is a subject of study across the world. The basic difference however, continues to be the maturity of markets and formats. While retail in the West has evolved unit terms of formats over the past hundred years, organized retail in India is still a new phenomenon. Shopping has in fact, been termed as a science.

In India, retailers and retail formats are still evolving. Ten years ago, if a consumer wanted to buy soap, his only option was the local bania or the Sahakari Bhandar or the fair price shops run by the government. Today, he can still buy the bar of soap from the same places, but also has an option of going to a Food World, Big Bazaar, Food Land, or and Apollo Pharmacy or from the neighborhood bania who has developed a swank new self service store. Where will he buy? What are the reasons for his choosing one store over the other?

Understanding the reasons for consumers choosing or patronizing a store is important for the retailer. This is true for retailer across the world. In India, while new formats keep merging, in many cases, the product offering are similar. Consider this: most of the department stores, which exist in India toady house a men's wear, women's wear, children's and home section. The men's wear section in most of the stores houses various national brands like Zodiac, Allen Solly, Louis Philippe, Van Heusen etc and some private label/s created by the store. At the same time all these brands have their own retails outlets. The range available at the stores is also similar. Why should customers visit a particular department store and not the company's own retail outlet? An insight into what provokes a customer to visit and patronize a store helps the retailer in strategy formulation.

We now examine the factors which influence the customer's decision making process.

1) Socio-cultural background of shopper
2) Travel time and distance
3) Location convenience
4) Range of merchandise
5) Stage of family life cycle of consumers.

1. Range of Merchandize: The range of merchandize is perhaps the most important reason fir customers to patronize a particular outlet. The initial curiosity of the store may draw a consumer to a retail store, but converting him into a buyer and retaining him over a period of time is largely dependent on the quality and the range of merchandise offered by the store. If the merchandise is similar to that of another store or what is commonly available, the customer may not see any reasons why he should not switch stores. The range of merchandise offered plays an important role in case of categories like durables, books and music, apparel and other lifestyle products.

2. Convenience of shopping at a particular outlet: The element of convenience is fast gaining prominence in the world of organized retail. This is especially true in case of items like grocery/fruits and chemists. For example, while buying medicines most patients would prefer to buy from the chemist near the doctor's clinic or near the hospital.

3. Time to travel: The time travel requires to reach a particular retail location is again fast becoming critical. This is especially true in case of metros like Mumbai, where travel time is high. This has resulted in much local area developing in terms of shopping to facilities buying. We see the appearance of multiple outlets for a brand, departmental stores and malls making their appearance across most Indian cities.

4. Socio-economic factors: Socio-economic factors are seen as fundamental to development. India is today a nation which has a large middle class, a youth population which is happy spending and steady rate of growth of GDP. The socio-economic background of the consumer largely determines his lifestyle. This influences the kind of store that he may be comfortable shopping in. Consumer buying behavior varies from example Asian culture is very different from western culture. The need hierarchy is different for each market. The need that the retailer can fulfill needs to be clearly understood by him. This will not only help him in the determining the right merchandise mix but will also help him in evolving an effective communication strategy.

The primary indicator of socio-economic changes is the increase in life expectancy from 58 years in the year 1991-92 to an average of 66 years in 2006-07. India aims to achieve 100% literacy by the year 2006-07. Basic amenities like drinking water and electricity are also likely to be commonly available. Thus, we can say that there is a definite improvement in the basic quality of life of an average Indian citizen. With the basic necessities being taken care of, There is a good chance that the demand for other products and services may increase.

5. The stage of the family life cycle: the stage of the family life cycle that the customer belongs to also largely influences his needs. Foe example, the needs of a young bachelor will be different from the needs of a family with children in their teens, which will again be different from the requirements of an elderly retired couple. The retailer needs to be clear about the target market that he is catering to, as he cannot be everything to everybody.

LIFE STYLE OF INDIAN SHOPPERS

The value and lifestyle (VALS) segmentation of shoppers classifies them into different types, based on their unique style of living. American society has been categorized as the pre-world war II shoppersand post-world war II shoppers. Indian shoppers can also be classified into four such typologies:

Pre-independence shoppers are anti-British, take pride in India, and support local produce, non-violence, and sacrifice.

Post-independence shoppers are idealistic, independent-minded, non-aligned, sincere, and hardworking.

Pre-Rajiv Gandhi shoppers are shoppers are socialistic. For them, corruption is a way of life. They are anti-rich, license-permit drivers and ape and bait the west.

Post-Rajiv Gandhi shoppers are capitalistic. They have global orientation, ape the west, and are tech-sway. They believe in the survival of the fittest.

Impact of lifestyle on purchasing decisions: Lifestyle trends have an impact on how shoppers take purchase decisions and how a marketer needs to address the shopper. This impact is indicated as follows:

If you have ever watched the television show *Wife Swap*, you can see that despite people's similarities (e.g., being middle-class Americans who are married with children), their lifestyles can differ radically. To better understand and connect with consumers, companies interview or ask people to complete questionnaires about their lifestyles or their activities, interests, and opinions (often referred to as AIO statements). Consumers are not only asked about products they like, where they live, and what their gender is but also about what they do—that is, how they spend their time and what their priorities, values, opinions, and general outlooks on the world are. Where do they go other than work? Who do they like to talk to? What do they talk about? Researchers hired by Procter & Gamble have gone so far as to follow women around for weeks as they shop, run errands, and socialize with one another (Berner, 2006). Other companies have paid people to keep a daily journal of their activities and routines.

A number of research organizations examine lifestyle and psychographic characteristics of consumers. Psychographics combines the lifestyle traits of consumers and their personality styles with an analysis of their attitudes, activities, and values to determine groups of consumers with similar characteristics. One of the most widely used systems to classify people based on psychographics is the VALS (Values, Attitudes, and Lifestyles) framework. Using VALS to combine psychographics with demographic information such as marital status, education level, and income provide a better understanding of consumers.

SHOPPING PATTERNS IN INDIA:

Indian customers are becoming increasingly sensitive in their expectations of products and service, and are seeking a higher standard of quality of delivery.They know what they want. The demands on their time at work and home have made them extremely selective about how they spend their leisure hours. Shopping is also vying with leisure activities. It means that retailers must be better at knowing their customers, predicting their needs and wants, and delivering products and shopping experiences that consistently exceed their expectations so that the shopping keep coming back to them. Some of the major trends in Indian shopping behavior are shown.

Consumer spending patterns in India:

Consumer spending can be categorized into regular spends and lifestyle spends. Regular spending includes the basic necessities of life, while lifestyle spending includes spending on a computer, internet, car, cell phone, etc. Analysis of consumer spending in the past 10 years reveals that the average consumer has been spending on an increasing number of different goods. There are a number of factors affecting the consumer spending pattern in India; these include growing income levels resulting in more disposable income with individuals, changing attitudes towards consumption, changes in prices, introduction of new products, availability of credit such as loans, mortgages and credit cards, rising aspiration levels, increased literacy, growing brand consciousness and rapid urbanization.

Spending habits are different for people belonging to different sections of society. For instance, people belonging to the middle class consider basic necessities and education and spending toward the future of their children as their top priorities, followed by lifestyle goods. The rich class spends more on luxury goods and international brands. The super rich class spends on ultra luxury goods. It is observed that as disposable income increases, people prefer more of branded goods, shift to processed foods, and the expenditure on food, beverages, tobacco, and transport and communication also increases. A comparison of consumer spending habits in 2002 with those in 2007 revealed that expenditure on food, clothing and personal care has remained more or less constant, but expenditure on entertainment has increased.

Shopping habits of Indians are changing due to their growing disposable income, relative increase in the younger population, and the change in attitudes towards shopping. The emphasis has changed from price consideration to design, quality and trendiness. The desire to look and feel good is also guiding factor for customers while making their purchase decisions. Growing disposable income is also propelling demand for consumer durables and eating in restaurants among Indians. Age is also a major factor that affects the spending decisions of an individual. For instance, people in 20-24 years age group spend more on electronic / home appliances and movies, while people in the 45-48 years age group spend more on vacations.

Consumer spending is an important factor that affects the economic growth and development in a country. In the future, India and China are projected to be the powerhouses of Asia in terms of growth in consumption, wages, and GDP.

UNIT-3
INTRODUCTION TORETAIL FORMATS

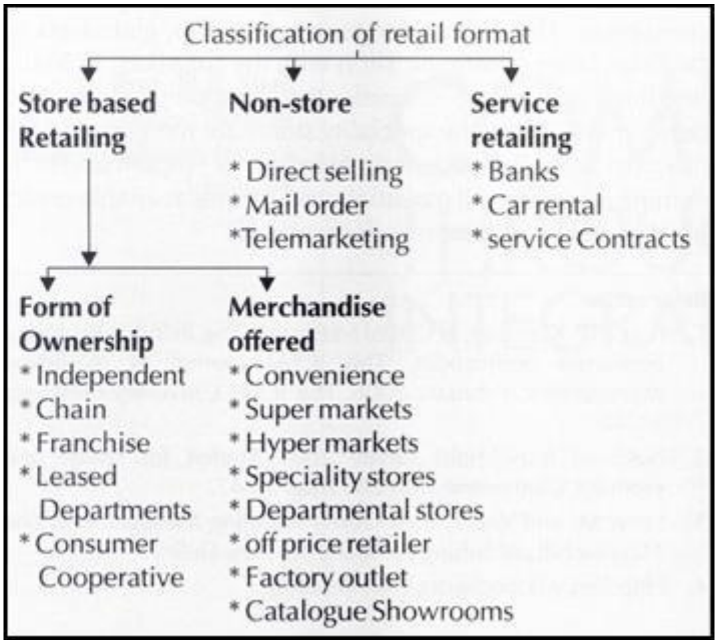
RETAIL FORMATS

The retail format is the store 'package 'that the retailer presents to the shopper .A format is defined as a type of retail mix used by a set of retailers. It is a place, physical or virtual, where the vendor interacts with his\her customer. The store format depends on the mix of variables such as assortment, price, transactional convenience, and experience that retailers use to develop their business strategies.

Each retailer needs to evaluate the enablers and deterrents for succeeding in the marketplace. This primarily involves identifying the key drivers of growth, the shopper's profile, and shopper expectations. It also requires the retailers the retailer to evaluate the nature of competition and challenge in the marketplace. The retailer then decides the elements of the retail mix to satisfy the target market's place more effectively than its competitors. The choice of retail mix elements enables it to decide the type of format or structure of business.

CLASSIFICATION OF RETAIL FORMATS

Retail Formats can be classified into the following categories:



Store Based: Store based formats can be further classified into two formats based on the basis of Ownership or Merchandise offered.

Non Store Based Classification: Non Store retail organizations focus on establishing direct contact with the consumer. This may be both personal (direct personal selling) and nonpersonal TV, the Internet, mail, catalog or phone).

Service Based Classification: Such retailers specialize in providing different kinds of services to the end consumer. The services can be classified as Banking Services, Rentals, Electricity, cooking gas, etc. Various factors like quality of service, how much customization can be provided for meeting the client specific requirements, the uniqueness of the service and deliverywithin the timelines, usage of innovative technology, etc, are given importance for determining the success of service?

Classification of Retailers on the Basis of Ownership
The major classification of retail ownership is:

1. **Independent Retailer**
2. **Retail Chain**
3. **Retail Franchising**
4. **Cooperatives**

1. Independent Retailer:

- In 1998, over 60,000 new retail businesses were started in the US and many stores are owner-managed.
- While single stores can tailor their offering to their customers needs, corporate chains can more effectively negotiate lower prices for merchandise and advertising due to their larger size.
- To better compete against corporate chains, some independent retailers join a retail-sponsored cooperative group or wholesale-sponsored voluntary chain.

2. Retail Chain:

- A retail chain is a company operating multiple retail units under common ownership and usually having some centralization of decision making in defining and implementing strategy.
- Due to economies of scale and an efficient distribution system, corporate chains can sell at lower prices. This forces some directly competing local retailers out of business and alters the community fabric.
- On the other hand, local retailers offering complementary merchandise and services can prosper. Often, all stores in a chain have the same merchandise and services, while local retailers can provide merchandise compatible with local market needs.
- In addition, to mergers and acquisitions leading to consolidation, the retail chains are focusing their expertise on managing a specific retail format rather than operating as a holding company for a diverse set of retail formats.

3. Retail Franchising:

- Franchising is a contractual agreement between a franchiser and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and support by the franchiser. Approximately one-third of all US retail sales are made by franchisees.
- The franchising ownership format attempts to combine advantages of owner-managed businesses with efficiencies of centralized decision making in chain store operations.
- Franchisees are motivated to make their store successful because they receive the profits after the royalty is paid. The franchiser is motivated to develop new products and systems to promote the franchise because it receives a royalty on all sales.

4. Cooperatives: A retail cooperative is a group of independent retailers that have combined their financial resources and their expertise in order to efficiently control their wholesaling needs. They share purchases, storages, shopping facilities, advertising planning and other functions. The individual retain their independence, but agree on broad common policies. Amul and milma are typical example of a cooperative in India.

Store strategy Mix: Retailers can be classified by retail store strategy mix, which is an integrated combination of hours, location, assortment, service, advertising, and prices etc. The various categories are:

a) Convenience store: Is generally a well situated, food oriented store with long operating house and a limited number of items. Consumers use a convenience store; for fill in items such as bread, milk, eggs, and chocolates and candy etc.

b) Super markets: Is a diversified store which sells a broad range of food and non food items. A supermarket typically carries small house hold appliances, some apparel items, bakery, film developing, jams, pickles, books, audio/videos CD's etc.

c) Departmental Stores:

Departmental Stores can be either classified on the ownership basis or income groups. The key features of Departmental Stores are given below:

- Departmental stores perform operations in an integrated manner all under the single roof.
- Departmental stores are multi leveled retail outlets operating on a large scale at the international level, national level and locally as well, offering a variety in their merchandise. In India, the major national players operating departmental stores are Westside, Shoppers Stop, Lifestyle, etc. While the local players Meena Bazaar of Hyderabad and Ebony in Delhi.
- The key criterion which determines the success of a departmental store is the location in which it operates and also other factors like store size, space availability, the area which is being targeted and crucial issues such as the potential of the store in attracting the customers.

d) Specialty store: Concentrates on the sale of a single line of products or services, such as audio equipment, jewelers, beauty and healthcare, etc. Consumers are not confronted with racks of unrelated merchandise. Successful specialty stores in India include, Music world for audio needs, Tanishq for jewelers and McDonalds, pizza hut and Nirula;s for food services.

Non Store Retailing: In non store retailing, customers do not go to a store to buy. This type of retailing is growing very fast. Among the reasons are: the ability to buy merchandise not available in local stores, the increasing number of women workers, and the presence of unskilled retail sales persons who cannot provide information to help shoppers make buying decisions.

The major types of non store retailing are:

1. Direct marketing

2. Tele marketing
3. Online retailing
4. Direct selling
5. Automatic vending

1. **Direct marketing:**
   Thereare no consumers on the exact nature of direct marketing.

- In effect, it comprises all types of non-store retailing other than direct selling, telemarketing, automatic vending and online retailing.
- In the context of retailing, it has been defined as direct marketing as using print or broadcast advertising to contact consumers who in turn, buy products without visiting a retail store.
- Direct marketers contact consumers through one or more of the following media: radio, TV, newspapers, magazines, catalogs and mailing (direct mail).
- Consumer orders by telephone or mail.
- Direct marketers can be classified as either general - merchandise firms, which offer a variety of product lines, or specialty firms which carry - only one or two lines such as books or fresh fruit. Under the broad definition, the many forms of direct marketing include:
- **Direct mail** - In which firms mail letters, brochures and even product samples to consumers, and ask them to purchase by mail or telephone. Catalog retailing - in which companies mail catalogs to consumers or make them available at retail stores.

Advantages of Direct Marketing:

- Direct marketing provides shopping convenience.
- In addition, direct marketers enjoy comparatively low operating expenses
- Because they do not have the overhead of physical stores.

Disadvantages of Direct Marketing:
Consumers must place orders without seeing or touching the actual merchandise:

- To off-set this, direct marketers must offer liberal return policies. Furthermore, catalogs and to some extent, direct mail pieces are costly and must be prepared long before they are issued.
- Price changes and new products can be announced only through supplementary catalogs or brochures.
- Direct marketing's future is difficult to forecast, given the rise of the Internet.
- The issue is whether or not firms relying on direct marketing can achieve and sustain a differential advantage in a growing competition with online enterprises.

2. Tele marketing: Sometimes called telephone selling, telemarketing refers to a sales person initiating contact with a shopper and closing a sale over the telephone.

- Telemarketing many entail cold canvassing from the phone directory. Many products that can be bought without being seen are sold over the telephone. Examples are pest control devices, magazine subscriptions, credit cards and cub memberships.
- Telemarketing is not a problem free retailing. Often encountering hostile people on the other end of the line and experiencing many more rejections than closed sales, few telephone sales representatives last very long in the job.
- Further some telemarketers rely on questionable or unethical practices. For instance firms may place calls at almost any hour of the day or night. This tactic is criticized as violating consumers' right to privacy.
- To prevent this, some states have enacted rules to constrain telemarketers' activities.Despite these problems, telemarketing sales have increased in recent years. Fundamentally, some people appreciate the convenience of making a purchase by phone.
- Costs have been reduced by computers that automatically dial telephone number, even deliver a taped message and record information the buyer gives to complete the sale.
- The future of telemarketing is sure to be affected by the degree to which the problems above can be addressed and by the surge of online retailing.

3. Onlineretailing: When a firm uses its website to offer products for sale and then individuals or organizations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing).

- Many electronic transactions involve two businesses which focus on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer.
- Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, **Pets Mart and CD Now.com**.
- Some websites feature broad assortments, especially those launched by general merchandise retailers such as **Wal-mart and Target**.
- Some Internet only firms, notably Amazon.com are using various methods to broaden their offerings. Whatever their differences, e-retailers are likely to share an attribute. They are unprofitable or best, barely profitable.
- Of course, there are substantial costs in establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts.
- The rationale was that all available funds should be used to gain a foothold in this growing market. Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future. Online sales represented about 1% of retail spending in 2005, but one research firm estimates that consumer purchases on the Internet with triple by the year 2010.
- Which product categories are consumers most likely to buy on the Internet in the future? Consumers' shopping intentions in 2005 placed the following goods and services at the tope of the list: books, music and videos, computer hardware and software, travel and apparel.
- Of course, given that change on the Internet occurs, these categories soon may be surpassed by others - perhaps groceries, toys, health and beauty aids, auto parts or pet supplies.

4. Automatic vending: The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. The appeal of automatic vending is convenient purchase.

- Products sold by automatic vending are usually well-known presold brands with a high rate of turnover. The large majority of automatic vending sales comes from the
- " 4 C's" : cold drinks, coffee, candy and cigarettes.
- Automatic vending is a unique area in non-store merchandising because the variety of merchandise offered through automatic vending machines continues to grow. Initially, impulse goods with high convenience value such as cigarettes, soft drinks, candy, newspapers, and hot beverages were offered.
- However, a wide array of products such as hosiery, cosmetics, food snacks, postage stamps, paperback books, record albums, camera film, and even fishing worms are becoming available through machines.

Advantages and disadvantages:

Vending machines can expand a firm's market by reaching customers where and when they cannot come to a store.

- Thus vending equipment is found almost everywhere, particularly in schools, work places and public facilities.
- Automatic vending has high operating costs because of the need to replenish inventories frequently.
- The machines also require maintenance and repairs.

5. Direct selling: Direct selling is also defined as personal contact between a sales person and a consumer away from a retail store. This type of retailing has also been called in home selling. Annual volume of direct selling in India is growing fast from the beginning of the 21st century. Like other forms of non-store retailing, direct selling is utilized in most countries. It is particularly widespread in Japan, which accounts for about 35% of the worldwide volume of direct selling.

- The U.S. represents almost 30% of the total and all other countries the rest. The two kinds of direct selling are Door to door Party planDirect retailing originated several centuries ago and has mushroomed into a $9 billion industry consisting of about 600 companies selling HYPERLINK " http://www.britannica.com/EBchecked/topic/169273/door-to-door-sale" o " door-to-door" door-to-door, office-to-office, or at private-home sales meetings.
- The forerunners in the direct-selling industry include The Fuller Brush Company (brushes, brooms, etc.), Electrolux (vacuum cleaners), and Avon (cosmetics).
- In addition, Tupperware pioneered the home-sales approach, in which friends and neighbors gather in a home where Tupperware products are demonstrated and sold. Network marketing, a direct-selling approach similar to home sales, is also gaining prevalence in markets worldwide.
- Network marketing companies such as **Amway and Shaklee** reward their distributors not only for selling products but also for recruiting others to become distributors. In 2007, **Amway's** parent company tested an Internet recruitment model by launching Fanista, a Web site that sells entertainment media such as books, movies, and music,

while rewarding users for bringing other customers to the site Reasons for the growth in direct marketing:

Advantages of Direct Selling:

- Consumers have the opportunity to buy at home or at another convenient Non-Store location that provides the opportunity for personal contact with a sales person.
- For the seller, direct selling offers the boldest method of trying to persuade ultimate consumers to make a purchase.
- The seller takes the product to the shopper's home or work place and demonstrates them for the consumer.

OTHER RETAIL FORMATS

The practical of retailing is continuously evolving. New formats are born and old ones fade. Incessant pressure to improve efficiency and effectiveness and a continual effort to serve the customer better force the retailers to find new ways of doing business. Some of the new formats that have developed recently are discussed in this section.

1. Malls:

One of the most popular and most visited retail formats in India is the mall. These are the largest retail format in India. Malls provide everything that a person wants to buy, all under one roof. From clothes and accessories to food or cinemas, malls provide all of this, and more. Examples include Spencers Plaza in Chennai, India, or the Forum Mall in Bangalore.

2. Supermarkets:

One of the other popular retail formats in India is the supermarkets. A supermarket is a grocery store that sells food and household goods. They are large, most often self-service and offer a huge variety of products. People head to supermarkets when they need to stock up on groceries and other items. They provide products for reasonable prices, and of mid to high quality.

3. Videos Kiosks:

Kiosks are box-like shops, which sell small and inexpensive items like cigarettes, toffees, newspapers and magazines, water packets and sometimes, tea and coffee. These are most commonly found on every street in a city, and cater primarily to local residents.

4. Hyper markets:

Similar to supermarkets, hypermarkets in India are a combination of supermarket and department store. These are large retailers that provide all kinds of groceries and general goods. Saravana Stores in Chennai, Big Bazaar and Reliance Fresh are hypermarkets that draw enormous crowds.

5. Discount stores:

Discount stores are those that offer their products at a discount, that is, at a lesser rate than the maximum retail price. This is mainly done when there is additional stock left over towards the end of any season. Discount stores sell their goods at a reduced rate with an aim of drawing bargain shoppers.

6. Street Vendors:

Street vendors, or hawkers who sell goods on the streets, are quite popular in India. Through shouting out their wares, they draw the attention of customers. Street vendors are found in almost every city in India, and the business capital of Mumbai has a number of shopping areas comprised solely of street vendors. These hawkers sell not just clothes and accessories, but also local food.

7. Mom-and-pop Stores:
These are small family-owned businesses, which sell a small collection of goods to the customers. They are individually run and cater to small sections of the society. These stores are known for their high standards of customer service.

8.Category Killers:
Specialty stores are called category killers. Category killers are specialized in their fields and offer one category of products. Most popular examples of category killers include electronic stores like Best Buy and sports accessories stores like Sports Authority.

VALUE BASED MODEL OF STORE FORMAT CHOICE

It is evident that each of the formats discussed some unique benefits that help in attracting shoppers. What is also interesting is that, even with the proliferation of formats each one of them is surviving. Shoppers have split their purchase across formats.

In some cases, different merchandise is bought through specific channels. So, while books and music are being bought in large volumes through the internet, grocery and high value purchases are being through store-based formats. Some shoppers are also buying similar merchandise through store-based formats. Due to the choices available to shoppers, there is an effort to, optimize the value derived and hence split purchases between formats.

However, it is also noticed that shoppers tend to make one of the formats their primary choice and make most of their purchases from that format. It is, therefore, imperative that a retailer should select the value and then choose the format that delivers the value to the fullest. A format can be conceptualized as a system for delivering the value promised to the shoppers so as to create a sustainable competitive advantage.

Deciding the format store:
The process of deciding a format involves several steps. At the core of the process is the value proposition that the retailer chooses to offer to its customers, based on which it develops a positioning for the store.

Theprocess of format selection as follows:
1. Define value proposition
2. Identify Enablers and deterrents
3. Find out what it takes to deliver the values
4. Decide on brick or click or brick and click

1. Define value proposition:
The first step in deciding the format is to identify and select the value proposition that store

would like to offer to shoppers. Shoppers have several reasons for choosing a store. A study conducted in India indicated that proximity and merchandise were the primary reasons. More than 70 percent of the respondents indicated these as their strongest reason for choice. The third reason was ambience (8%) and patronized store (8%). Only 40 percent could provide as many as three reasons. Seventy percent had at least two reasons. This indicates that shoppers generally have just one good reason, and, at the most, two reasons for visiting a particular store.

2. Identify Enablers and deterrents:
Each of the formats would yield optimum results only when certain conditions are fulfilled. A store needs to identify these conditions and the variables causing them. These variables then need to be classified as enablers or deterrents. Enablers are factors that could be utilized to manage the format successfully. Deterrents consist of variables that would impede the successful working and growth of the format. The retailer needs to conduct a thorough analysis of the macro and micro environment that affect its business.

3. Find out what it takes to deliver the values:
Based on the value identified and the environment factors, retailers develop a mix by using the following five elements**:**

- Variety and assortment of merchandise
- Customer service and facility
- Store design, display, and ambience
- Pricing
- Accessibility

Variety and assortment of merchandise: variety is the number of different merchandise categories a retailer offers. Assortment is the number of different items in a merchandise category. Each different kind of merchandise is called a stock-keeping unit (SKU)

Customer service and facility: services provided by retailers to facilitate the shopping process for customers are called customer services. Customer service could include easy access to product and price information, employing in-store salespeople, parking, accepting, gift wrapping, suitable to customers express checkouts, home delivery, gift wrapping, rest and refreshment facility, and childcare facility.

Pricing: It is one of the strategic decisions that play a vital role in store selection. Pricing decisions such as premium pricing, everyday low pricing (EDLP) , high-low(HILO) pricing, and discount pricing are some of the pricing considerations offered to the customer. The shopper may also evaluate each of these situations in the light of the cost incurred and the utilities derived from shopping.

Accessibility: It is the convenience component of the retail mix. Store location, travelling time, parking facility, and service hours are considered as important elements. The first decision processes are correlated. It is found that overall; shoppers give prominence to proximity of the store, merchandise and service provided by the store.

4. Decide on brick or click or brick and click: Offline retailers have realized that the online model can help in an unmatched expansion in customer base at a very low cost. The click model also enables retailers to offer many value added services to their customers, which perhaps will by the only differentiating factor in the emerging global marketplace. For the pure play online retailers, such alliance offer a chance to leverage the extensive distribution infrastructure, credibility and stability of the established offline players. It also helps in customer acquisition as shoppers tend to be more comfortable in presence.

Offline retailers can include their web addresses in their communication. Moreover, they can also tie their store loyalty cards and mailing lists to increase awareness and usage of the channel. They can find out new shoppers on their site and their conversion. However, integrating offline and online store operations is a complex process.Initially, pure plays were concerned about erosion in their valuations. On the other hand, offline retailers were concerned about the potential cannibalization of the sales. The advantages, however, have outweighed the disadvantages.

EVALUATING THE COMPETITION IN RETAILING

1. Pure Monopoly- occurs when there is only one seller for a product or service
2. Monopolistic competition – occurs when the products offered are different, yet viewed as substitutable for each other and the sellers recognize that they compete with sellers of these different products.
3. Pure competition – occurs when a market has homogeneous products and many buyers and sellers, having perfect knowledge of the market, and ease of entry for both buyers and sellers
4. Oligopolistic competition – occurs when relatively few sellers, or many small firms who follow the lead of a few larger firms, offer essentially homogeneous products and any action by one seller is expected to be noticed and reacted by the other sellers.
5. Out shopping – occurs when individuals in one community travel regularly to a larger community shop.
6. Store Positioning – is when a retailer identifies a well-defined market segment using demographic or lifestyle variables and appeals to this segment with a clearly differentiated approach.
7. Overstocked – is a condition in a community where the number of stores in relation to households is so large that to engage in retailing is usually unprofitable or marginally profitable.
8. Under stocked – is a conditioned in a community where the number of stores in relation to households is relatively low so that engaging in retailing is an attractive economic endeavor.
9. Intratype Competition – occurs when two or more retailers of the same type, as defined as by NAICS codes of in the Census of Retail Trade, compare directly with each other for the same households.
10. Intertype Competition – occurs when two or more retailers of a different type, as defined by NAICS codes in the census of retail trade, compete directly by attempting to sell the same merchandise lines to the same households.
11. Diverse competition – occurs when retailers intercept or divert customers from competing retailers.
12. Break-even point – is where total revenues equal total expenses and the retailer is making neither a profit nor a loss.

13. Wheel of retailing theory – describes how new types of retailers enter the market as low-price operators, however, as they meet with success, these new retailers gradually acquire more sophisticated and elaborate facilities and thus become vulnerable to new types of low margin retail competitors who progress through same pattern.
14. Retail accordion – describes how retail institutions evolve from outlets that offer wide assortments to specialized stores and continue repeatedly through the pattern.
15. Retail life cycle – describes four distinct stages that a retail institution progresses through introduction, growth, maturity and decline.
16. Off-price retailers – sell products at a discount but do not carry certain brands on a continuous basis. They carry those brands they can buy from manufacturers at a closeout or deep one-time discount process. Off-price retailers – sell products at a discount but do not carry certain brands on a continuous basis. They carry those brands they can buy from manufacturers at a closeout or deep one-time discount process. Off-price retailers – sell products at a discount but do not carry certain brands on a continuous basis. They carry those brands they can buy from manufacturers at a closeout or deep one-time discount process.
17. Supercenters – combine a discount store and grocery store and carry 80,000 to 100,000 products in order to offer one-stop shopping.
18. Recycled merchandise retailers – are establishments that sell used and reconditioned products.

MARKET STRUCTURE

Market structure has historically emerged in two separate types of discussions in economics, that of Adam Smith on the one hand, and that of Karl Marx on the other hand. Adam Smith in his writing on economics stressed the importance of laissez-faire principles outlining the operation of the market in the absence of dominant political mechanisms of control, while Karl Marx discussed the working of the market in the presence of a controlled economy sometimes referred to as a command economy in the literature. Both types of market structure have been in historical evidence throughout the twentieth century and twenty-first centuries.

Types of market structure are as follows:

- Monopolistic competition
- Perfect Competition
- Oligopoly
- Monopoly

Monopolistic competition: Monopolistic competition also refers to a market structure, where a large number of small firms compete against each other. However, unlike in perfect competition, the firms in monopolistic competition sell similar, but slightly differentiated products. This gives them a certain degree of market power which allows them to charge higher prices within a certain range.

Monopolistic competition builds on the following assumptions: (1) all firms maximize profits (2) there is free entry and exit to the market, (3) firms sell differentiated products (4) consumers may prefer one product over the other. Now, those assumptions are a bit closer to reality than the ones we looked at in perfect competition. However, this market structure will no longer result in a socially optimal level of output, because the firms have more power and can influence market prices to a certain degree.

An example of monopolistic competition is the market for cereals. There is a huge number of different brands (e.g. Cap's Crunch, Lucky Charms, Froot Loops, Apple Jacks). Most of them probably taste slightly different, but at the end of the day, they are all breakfast cereals.

Perfect Competition: Perfect competition describes a market structure, where a large number of small firms compete against each other. In this scenario, a single firm does not have any significant market power. As a result, the industry as a whole produces the socially optimal level of output, because none of the firms have the ability to influence market prices.

The idea of perfect competition builds on a number of assumptions:
(1) All firms maximize profits
(2) There is free entry and exit to the market,
(3) All firms sell completely identical (i.e. homogenous) goods,
(4) There are no consumer preferences. By looking at those assumptions it becomes quite obvious, that we will hardly ever find perfect competition in reality. This is an important aspect, because it is the only market structure that can (theoretically) result in a socially optimal level of output.
Probably the best example of a market with almost perfect competition we can find in reality is the stock market. If you are looking for more information on perfect competition, you can also check our post on perfect competition vs imperfect competition.

Oligopoly:

An oligopoly describes a market structure which is dominated by only a small number firms. This results in a state of limited competition. The firms can either compete against each other or collaborate. By doing so they can use their collective market power to drive up prices and earn more profit.

The oligopolistic market structure builds on the following assumptions: (1) all firms maximize profits, (2) oligopolies can set prices, (3) there are barriers to entry and exit in the market, (4) products may be homogenous or differentiated, and (5) there is only a few firms that dominate the market. Unfortunately, it is not clearly defined what a «few» firms means exactly. As a rule of thumb, we say that an oligopoly typically consists of about 3-5 dominant firms.

To give an example of an oligopoly, let's look at the market for gaming consoles. This market is dominated by three powerful companies: Microsoft, Sony, and Nintendo. This leaves all of them with a significant amount of market power.

Monopoly:A monopoly refers to a market structure where a single firm controls the entire market. In this scenario, the firm has the highest level of market power, as consumers do not have any alternatives. As a result, monopolists often reduce output to increase prices and earn more profit.

The following assumptions are made when we talk about monopolies: (1) the monopolist maximizes profit, (2) it can set the price, (3) there are high barriers to entry and exit, (4) there is only one firm that dominates the entire market.

From the perspective of society, most monopolies are usually not desirable, because they result in lower outputs and higher prices compared to competitive markets. Therefore, they are often regulated by the government. An example of a real life monopoly could be Monsanto. About 80% of all corn harvested in the US is trademarked by this company. That gives Monsanto an extremely high level of market power. You can find additional information about monopolies our post on monolypower.

Non-price decision:

Non-price decision is a marketing strategy “in which one firm tries to distinguish its product or eservice from competing products on the basis of attributes like design and workmanship" (McConnell-Brue, 2002, p. 43.7-43.8). The firm can also distinguish its product offering through quality of service, extensive distribution, customer focus, or any sustainable competition other than price. It can be contrasted with **price competition**, which is where a company tries to distinguish its product or service from competing products on the basis of low price. Non-price competition typically involves promotional expenditures (such as adverting selling staff, the locations convenience, sales promotional coupons, special orders, or free gifts, new product and cost.

Firms will engage in non-price competition, in spite of the additional costs involved, because it is usually more profitable than selling for a lower price, and avoids the risk of a price war.

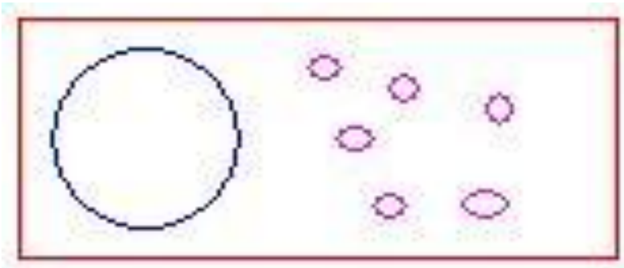
Although any company can use a non-price competition strategy, it is most common among oligoly and monopolistic , because firms can be extremely competitive. Businesses can also decide to compete against each other in the form of non-price competition such as advertising and product development. Oligopolistic business normally do not engage in price competition as this usually leads to a decrease in the profit businesses can make in that specific market.

Non-price competition is a key strategy in a growing number of marketplaces (desk, Task Rabbit, Fiverr, AirBnB, mechanical turk, etc) whose sellers offer their service as product, and where the price differences are virtually negligible when compared to other sellers of similar productized services on the same market places. They tend to distinguish themselves in terms of quality, delivery time (speed), and customer satisfaction, among other things.

TYPES OF COMPETITION

Economists have identified four types of competition—*perfect competition*, *monopolistic competition*, *oligopoly*, and *monopoly*. Perfect competition was discussed in the last section; we'll cover the remaining three types of competition here.The types of competition are as follows:

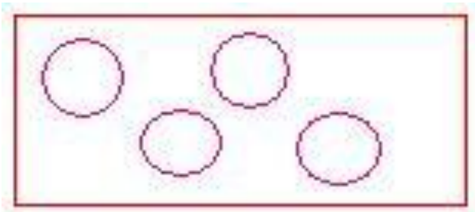
Monopolistic Competition:



In monopolistic competition, we still have many sellers (as we had under perfect competition). Now, however, they don't sell identical products. Instead, they sell *differentiated* products—products that differ somewhat, or are *perceived* to differ, even though they serve a similar purpose. Products can be differentiated in a number of ways, including quality, style, and convenience, location, and brand name. Some people prefer Coke over Pepsi, even though the two products are quite similar. But what if there was a substantial price difference between the two? In that case, buyers could be persuaded to switch from one to the other. Thus, if Coke has a big promotional sale at a supermarket chain, some Pepsi drinkers might switch (at least temporarily).

How is product differentiation accomplished? Sometimes, it's simply geographical; you probably buy gasoline at the station closest to your home regardless of the brand. At other times, perceived differences between products are promoted by advertising designed to convince consumers that one product is different from another—and better than it. Regardless of customer loyalty to a product, however, if its price goes too high, the seller will lose business to a competitor. Under monopolistic competition, therefore, companies have only limited control over price.

Oligopoly:



Oligopoly means few sellers. In an oligopolistic market, each seller supplies a large portion of all the products sold in the marketplace. In addition, because the cost of starting a business in an oligopolistic industry is usually high, the number of firms entering it is low.

Companies in oligopolistic industries include such large-scale enterprises as automobile companies and airlines. As large firms supplying a sizable portion of a market, these companies have some control over the prices they charge. But there's a catch: because products are fairly similar, when one company lowers prices, others are often forced to follow suit to remain competitive. You see this practice all the time in the airline industry: When American Airlines announces a fare decrease, Continental, United Airlines, and others do likewise. When one automaker offers a special deal, its competitors usually come up with similar promotions.

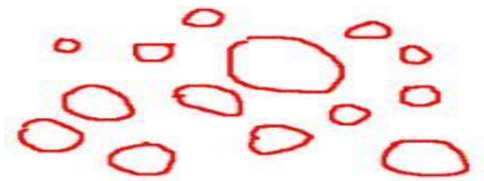
Monopoly

In terms of the number of sellers and degree of competition, monopolies lie at the opposite end of the spectrum from perfect competition. In perfect competition, there are many small companies, none of which can control prices; they simply accept the market price determined by supply and demand. In a monopoly, however, there's only one seller in the market. The market could be a geographical area, such as a city or a regional area, and doesn't necessarily have to be an entire country.

There are few monopolies in the United States because the government limits them. Most fall into one of two categories: *natural* and *legal*. Natural monopolies include public utilities, such as electricity and gas suppliers. Such enterprises require huge investments, and it would be inefficient to duplicate the products that they provide. They inhibit competition, but they're legal because they're important to society. In exchange for the right to conduct business without competition, they're regulated. For instance, they can't charge whatever prices they want, but they must adhere to government-controlled prices. As a rule, they're required to serve all customers, even if doing so isn't cost efficient.

A legal monopoly arises when a company receives a patent giving it exclusive use of an invented product or process. Patents are issued for a limited time, generally twenty years.During this period, other companies can't use the invented product or process without permission from the patent holder. Patents allow companies a certain period to recover the heavy costs of researching and developing products and technologies. A classic example of a company that enjoyed a patent-based legal monopoly is Polaroid, which for years held exclusive ownership of instant-film technology. Polaroid priced the product high enough to recoup, over time, the high cost of bringing it to market. Without competition, in other words, it enjoyed a monopolistic position in regard to pricing.

Pure Competition:



Many companies competing and nobody has a significant advantage.

Examples:

- small bars and restaurants
- variety stores, convenience stores
- nail salons, barbers
- small grocery stores
- doughnut shops
- professional services (dentist, doctor, architects)

EVOLUTION OF RETAIL COMPETITION

The evolution of retail competition is as follows:

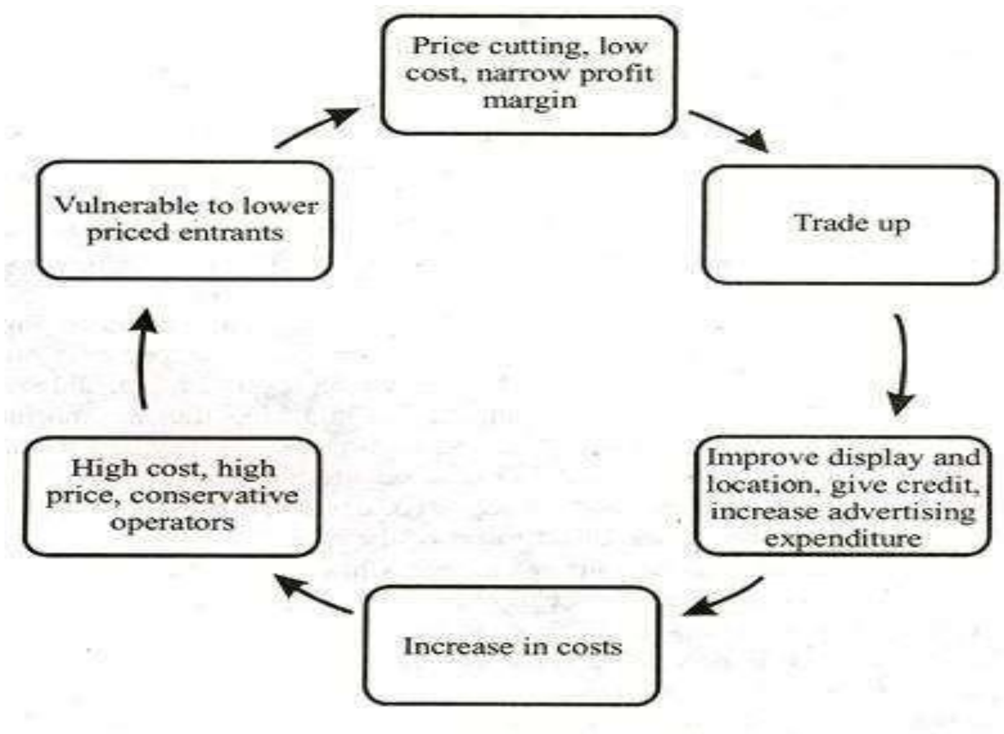
1. THEORY OF WHEEL OF RETAILING:
The theory was given by Malcolm P. McNair.One of the well accepted theories regarding institutional changes in retailing. This theory states that in a retail institution changes takes place in a cyclical manner. The cycle is: the new retailer often enters the market with a low status, low profit margin, and low price store formats. Later they move to up market locations and stock premium products to differentiate themselves from imitators. Eventually they mature as high cost, high price retailers, vulnerable to new retailers who come up with some other novel

retailing format/concept. This same retailer will in turn go through the same cycle of retail development.
The cycle can be broadly classified into three phases:

- Entry Phase
- Trading up phase
- Vulnerability Phase

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

TRADING UP PHASE: New retailer tries to make elaborate changes in the external structure of the store through up gradation. Retailer will now reposition itself by offering maximum customer service ,a posh shopping atmosphere , and relocating to high cost area(as per the convenience of the customers).Thus in this process the new entrant will mature to a higher status and higher price operation . This will increase the cost of the retailer. The innovative institution will metamorphose into a traditional retail institution. This will lead to vulnerability phase.
VULNERABILITY PHASE :The innovative store will have to deal with high costs, conservatism and a fall on ROI. Thus, the innovative store matures into an established firm and becomes vulnerable to the new innovator who enters the market. Entry of the new innovator marks the end of the cycle and beginning of the new cycle into the industry. Example Of this theory – kirana stores were replaced by the chain stores like Apna Bazar and Food World (new entrant) which in turn faced severe competition from supermarkets and hypermarkets like Big Bazaar and Giant.



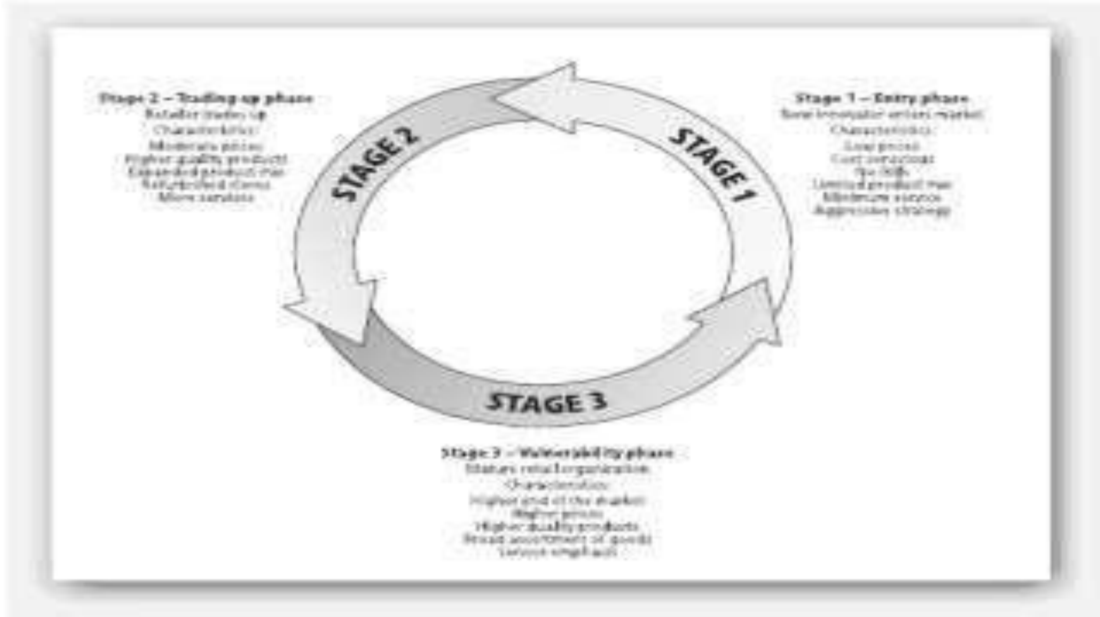
Wheel of Retailing

2. THE RETAIL ACCORDION THEORY:

Hollander (1966) proposed the Retail Accordion theory, which explained retail evolution as a cyclical trend in terms of the number of merchandise categories (i.e., product assortment). In this theory, at the beginning of operation, a retail institution carries a broad assortment of but does not carry a deep assortment (i.e., various styles within one product classification).At this early stage, the retail institution is a general store. As time passes, the retail institution becomes specialized by carrying a limited line of merchandise with a deep assortment. At this point, the retail institution is a specialty store. The theory suggests that retail institutions go from outlets with wide assortments to specialized narrow line store merchants and then back again to the more general wide assortment institution. It is also referred to as the general-specific-general theory.

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

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

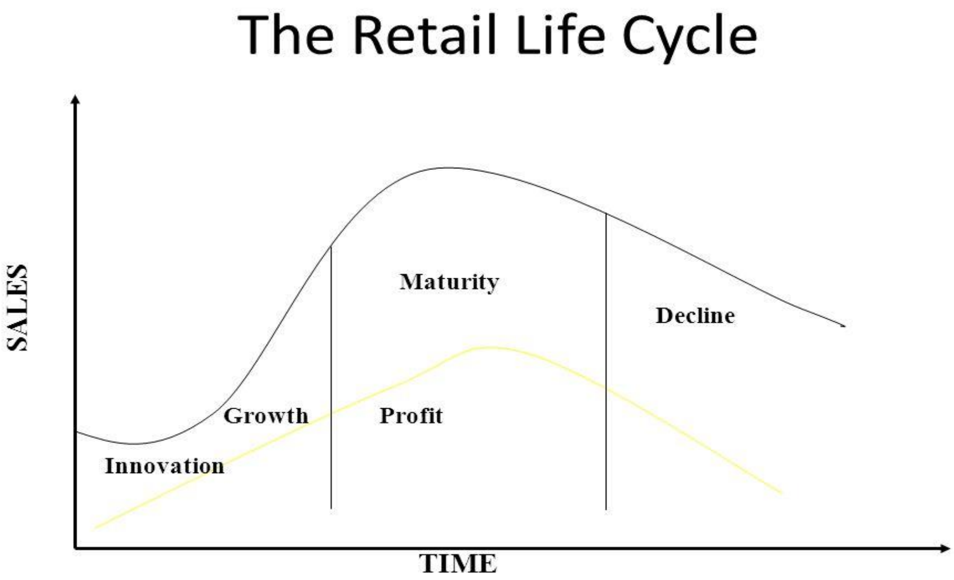


POLARIZATION THEORY

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

THE RETAIL LIFE CYCLE: The final framework we will examine is the retail life cycle. Some experts argue that retailing institutions pass through an identifiable cycle. This cycle has four distinct stages: It starts with

1. Introduction
2. Proceeds to growth and then
3. Maturity and
4. Decline.



1.**1.Introduction:**As the name implies, the introduction is the beginning stage of any business, characterized by innovation and industry expansion. Entrepreneurs in this phase of development either introduce a new retail store model, for example a particular product mix combined with a new service, or a new direction for an existing store. Introductory stage stores should be prepared for low profits due to high development costs. Retail expert Bob Phibbs notes that business owners can often reenergize a failing business by returning the introductory stage with a new approach.

2. Growth Phase: Once your store catches on, it enters the growth phase. As you grow, your profits increase and customers rave about your brand. While this phase may feel like Christmas, business professor David Gerth warns that competitors begin to copy you at this point, diluting your brand and taking away some of your edge. The challenge in this stage is to keep innovating enough so you have something new and exciting for your customers each time they visit.

3.Maturity Phase: Once you are fully established, you have a rhythm and you've gotten pretty good at keeping the store stocked so customers can count on you. In this stage, you also have a lot of competition and your store defines your industry instead of feeling new and different. Competition even may increase to the point where your industry overexpands, leading to declining profits and reduced customer loyalty. As this happens, prices begin to drop as you and your competitors try to lure back customers with great deals. To counter this, Phibb advises innovation instead of discounting.

4. Decline: If you are unable to innovate sufficiently to keep your business new and fresh, it enters the last phase of the retail life cycle: decline. At this point, your business may seem out of date and boring to customers. Other retailers have caught their attention, and it's difficult to lure those customers back. Successful businesses watch the trends in their industry and neighborhood to anticipate the decline and change before customers abandon them**.**

FUTURE CHANGES IN RETAIL COMPETITION

Retailers in today's ever-changing marketplace can expect dynamic changes in competition. Trends shaping the retail landscape include an increase in competition from non-store retailers, the advent of new retailing formats, heightened global competition, the integration of technology into current operations, and the increasing use of private labels.

Non-Store Retailing: Non-store retailing is the selling of goods and services outside the confines of a retail facility. It is a generic term describing retailing taking place outside of shops and stores (that is, off the premises of fixed retail locations and of markets stands). The non-store distribution channel can be divided into direct selling (off-premises sales) and distance selling, the latter including all forms of electronic equipment Distance selling includes mail order, catalogue sales, telephone solicitations and automated vending. Electronic commerce includes online shopping, internet trading, platforms, travels portals, global distribution system and teleshopping Direct selling includes party sales and all forms of selling in consumers' homes and offices, including even garage sales.

E-Tailing: Electronic retailing is the sale of goods and services through the internet. Electronic retailing, or e-tailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising. E-tailing requires businesses to tailor traditional business models to the rapidly changing face of the internet and its users.E-tailers need strong distribution efficiency so consumers are not waiting long periods of time for the products or services they purchase. Transparency in business practices is also important so consumers trust and stay loyal to a company. As consumers continue buying from the business, revenue increases.

E-tailing helps traditional brick-and-mortar stores reach more consumers worldwide and increase sales. Individual and startup e-tailers may be launched from a single room with one computer and expand rapidly rather than pay for an entire building with expensive overhead.E-tailers may trace consumers' shopping behavior while gaining valuable insights into their spending habits, which may lead to increased revenue. In addition, customers shop from the comfort of their homes at any time rather than being physically present in the store during specific hours.

Integration of technology: Technology integration is defined as the use of technology to enhance and support the educational environment. Technology integration in the classroom can also support classroom instruction by creating opportunities for students to complete assignments on the computer rather than the normal pencil and paper. Technology integration in class would help students to explore more. The International society for technology in education (ISTE) has established technology standards for students, teachers and administrators in K-12 classrooms. The ISTE, a leader in helping teachers become more effective users of technology, offers this definition of technology integration:

"Curriculum integration with the use of technology involves the infusion of technology as a tool to enhance the learning in a content area or multidisciplinary setting... Effective integration of technology is achieved when students are able to select technology tools to help them obtain information in a timely manner, analyze and synthesize the information, and present it professionally. The technology should become an integral part of how the classroom functions—as accessible as all other classroom tools. The focus in each lesson or unit is the curriculum outcome, not the technology."

UNIT-4
RETAIL PRICING

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

Factors Influencing Pricing: The porter‘s model can help to understand the influences of retail pricing.

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

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

3. **Competitor:** It affects the freedom to fix price. The range varies from being perfect to monopoly. Retailers generally avoid price based strategy because it may end up in price war.

4. Government: There are legal issues relating to price discrimination. The retailer can charge different price to different customer only when the distance is the justifying factor.

Vertical Price Fixing: The retailer to set price at manufacturer suggested price.
Horizontal agreement: - agreement between retailer competitors
Predatory pricing- This pricing is considered as illegal as it intends to drive away the competition.
Retail pricing objectives:
Pricing objectives: Price is a vital component of a marketing mix, also known as the "four Ps" of marketing. The other components are product, place and promotion, all of which constitute costs. Price, on the other hand, generates a return as it supports the other marketing-mix elements. Although supply and demand drives pricing decisions, they're not the only factors. Any number of pricing objectives may come into play, but four in particular apply to most businesses. Some of the more common pricing objectives are:

- Maximize long-run profit
- Maximize short-run profit
- Increase sales volume (quantity)

- Increase monetary sales
- Increase market sale.
- Stabilize market or stabilize market price: an objective to stabilize price means that the marketing manager attempts to keep prices stable in the marketplace and to compete on non-price considerations. Stabilization of margin is basically a cost-plus approach in which the manager attempts to maintain the same margin regardless of changes in cost.

There are Four Types of Pricing Objectives:

Survival: Prices are flexible. A company can lower them in order to increase sales enough to keep the business going. The company uses a survival-based price objective when it's willing to accept short-term losses for the sake of long-term viability.

Profit: Price has both direct and indirect effects on profit. The direct effect relates to whether the price covers the cost of producing the product. Price affects profit indirectly by influencing how many units sell. The number of products sold also influences profit through economies of scale -- the relative benefit of selling more units. The primary profit-based objective of pricing is to maximize price for long-term profitability.

Sales: Sales-oriented pricing objectives seek to boost volume or market share. A volume increase is measured against a company's own sales across specific time periods. A company's market share measures its sales against the sales of other companies in the industry. Volume and market share are independent of each other, as a change in one doesn't necessarily spur a change in the other.

Status Quo: Status quo price objective is a tactical goal that encourages competition on factors other than price. It focuses on maintaining market share, for example, but not increasing it, or matching a competitor's price rather than beating it. Status quo pricing can have a stabilizing effect on demand for a company's products.

RETAILING PRICING POLICIES

Good pricing strategy helps you determine the price point at which you can maximize profits on sales of your products or services. When setting prices, a business owner needs to consider a wide range of factors including production and distribution costs, competitor offerings, positioning strategies and the business’ target customer base.

While customers won’t purchase goods that are priced too high, your company won’t succeed if it prices goods too low to cover all of the business’ costs. Along with product, place and promotion, price can have a profound effect on the success of your small business.

Here are some of the various strategies that businesses implement when setting prices on their products and services.

1. Pricing at a Premium:

With premium pricing, businesses set costs higher than their competitors. Premium pricing is often most effective in the early days of a product's life cycle, and ideal for small businesses that sell unique goods.
Because customers need to perceive products as being worth the higher price tag, a business must work hard to create a value perception. Along with creating a high-quality product, owners should ensure their marketing efforts, the product's packaging and the store's décor all combine to support the premium price.

2. Pricing for Market Penetration:

Penetration strategies aim to attract buyers by offering lower prices on goods and services. While many new companies use this technique to draw attention away from their competition, penetration pricing does tend to result in an initial loss of income for the business.
Over time, however, the increase in awareness can drive profits and help small businesses to stand out from the crowd. In the long run, after sufficiently penetrating a market, companies often wind up raising their prices to better reflect the state of their position within the market.

3. Economy Pricing:

Used by a wide range of businesses including generic food suppliers and discount retailers, economy pricing aims to attract the most price-conscious of consumers. With this strategy, businesses minimize the costs associated with marketing and production in order to keep product prices down. As a result, customers can purchase the products they need without frills.

While economy pricing is incredibly effective for large companies like Wal-Mart and Target, the technique can be dangerous for small businesses. Because small businesses lack the sales volume of larger companies, they may struggle to generate a sufficient profit when prices are too low. Still, selectively tailoring discounts to your most loyal customers can be a great way to guarantee their patronage for years to come.

4. Price Skimming

Designed to help businesses maximize sales on new products and services, price skimming involves setting rates high during the introductory phase. The company then lowers prices gradually as competitor goods appear on the market.
One of the benefits of price skimming is that it allows businesses to maximize profits on early adopters before dropping prices to attract more price-sensitive consumers. Not only does price skimming help a small business recoup its development costs, but it also creates an illusion of quality and exclusivity when your item is first introduced to the marketplace.

5. Psychology Pricing:

With the economy still limping back to full health, price remains a major concern for American consumers. Psychology pricing refers to techniques that marketers use to encourage customers to respond on emotional levels rather than logical ones.
For example, setting the price of a watch at $199 is proven to attract more consumers than setting it at $200, even though the true difference here is quite small. One explanation for this trend is that consumers tend to put more attention on the first number on a price tag than the last. The goal of psychology pricing is to increase demand by creating an illusion of enhanced value for the consumer.

INTERACTIVE PRICING DECISIONS

Pricing decisions should be interactive. Specifically, the decision to price an item at a certain level should be related to the retailers decisions on lines of merchandise carried, location, promotion, credit and check cashing, customer services, desired store image, and the legal constraints.

1. **Merchandise:**Merchandising helps to understand the ordinary dating notation for the terms of payment of an invoice Codified discounting solves pricing problems including markups and markdowns. It helps to find the net price of an item after single or multiple trade discounts and can calculate a single discount rate that is equivalent to a series of multiple discounts. Further, it helps to calculate the amount of cash discount for which a payment qualifies.

2. **Location:** The location of a retail store has a significant effect or the prices that can be charged. The closer the store is to competitions with com-parable merchandise and customer services, the less pricing flexibility the retailer has. The distance between the store and the customer is also important. Generally, if the retailer wants to attract customers from a greater distance, is must either increase its promotional efforts or lower prices on its merchandise. This is because of the increased travel costs consumers incur when they are located farther from the store. Travel costs cut into the amount the customer is able or willing to pay for the merchandise, thus forcing the retailer to lower prices to attract more distant customers.

3. **Promotion:**Retailers develop a promotional mix in order to accomplish several objectives, such as positioning of the retailer, increasing the customer traffic, increasing the sales, announcing special events and providing information about the store location and the merchandise offered.Retailers spend the largest portion of their promotional budget on developing advertisements and on sales promotion activities. The retailer has a wide choice of media for advertising itself, its products and its services. While every medium has its own merits and demerits, advertising through newspapers is effective for announcing 'sales' and reaching a larger population, and advertising through TV facilitates the building up of a retailer's image. Generally, sales promotion activities are intended to meet short term objectives, like increasing the customer traffic in the store during weekends. Though promotional tools like publicity campaigns and word of mouth

provide the most reliable information to the target customers, these two are very hard to control.

4. **Credit and check cashing:** For given merchandise price level, retailers that offer either purchases on credit, even if only using bank cards, or check-cashing services will often will often experience greater demand than those that offer neither. In addition, retailers who provider both financial services may be to charge slightly higher prices than those who do not while generating the same level of demand.

5. **Customer services**:Customer service is the provision of service to customers before, during and after a purchase. The perception of success of such interactions is dependent on employees "who can adjust themselves to the personality of the guest" Customer service concerns the priority an organization assigns to customer service relative to components such as product innovation and pricing. In this sense, an organization that values good customer service may spend more money in training employees than the average organization or may proactively interview customers for feedback. From the point of view of an overall sales processing engineering effort, customer service plays an important role in an organization's ability to generate income and revenue From that perspective, customer service should be included as part of an overall approach to systematic improvement. One good customer service experience can change the entire perception a customer holds towards the organization.

6. **Store Image:** The relative importance of the various image components varies considerably between markets, sectors, competitive situations and customer segments. There are sound reasons why the relative importance of attributes should vary between markets, whether the comparison is on aninternational, regional or even locality scale. First, insofar as different localities are likely to be dominated by different shopper segments, no matter how these are defined, they will inevitably have some different attitudes, needs and priorities. Second, competition varies within each market.

7. **Legal constraints:**Retailers have realized the advantages of reflecting an ethical sense in business operations. The organizational environment plays a major role in the kind of ethical sense the employees possess. Retailers are trying to ensure that their employees behave ethically. Though there are many laws influencing the business environment of the retailer, there are many more aspects that come under the purview of ethics. These aspects concern the merchandise buying and selling practices in the firm. Retailers also need to be socially responsible and environmentally concerned. They often undertake activities that are beneficial to the society. Retailers are also taking measures for waste reduction, trying to recycle the materials used and are switching over to environment friendly packaging materials.

DIFFERENT RETAIL PRICING STRATEGIES

There are six distinct pricing strategies adopted by the retailers. They are:

1. Every Low Pricing (EDLP): It is popularized by Wal Mart, Home Depot. In India, this strategy is followed by Big Bazar. But the bulk volume is necessary to negotiate with the manufacturer for price concession so that it can be offered at reduced price to the customer. Low prices are stable and not subject to one time sale. The strategy is that it continues to offer products below MRP.
Advantages: Less reliance on price reduction to change, Reduced Advertisement, Informed customer service, Better Inventory management.

2. High – Low Pricing: Prices that are sometimes above their Competitors EDLP. It uses Advertisement to promote frequent sales. Also use ‗sale' to respond increased competition.
Advantages: some merchandise can be used to target different segments; Enthusiasm is created among customers (impulse Purchase), Image of quality is created (high price- no compromise on quality); EDLP is difficult to implement, so it has advantage over that.

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

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

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

6.**Psychological pricing:** intended to have special appeal to customers.

Prestige pricing: high prices to convey distinct and exclusive image for the product. Charging high price for a product where it is judged this in itself give it prestige. For e.g.: TAJ

Reference Pricing: uses consumers frame of reference that is established through previous experience of purchasing eg: sports items.

Traditional Pricing: uses historical /long standing prices (sports products)

Odd-Even pricing: eg: $ 9.95 to denote lower price or a ―good deal‖ $ 10.00 –imply high quality.

Multiple Unit pricing –encourage additional sales and increase profits. Gross margin that is sacrificed in a multiple unit sales is more than offset by the savings that occur from reduced selling and handling expenses.

Bundle Pricing: Practice of offering two or more different products at one price. Used to increase both unit and rupee sales by brining traffic in to the shop.

Pre-emptive Pricing: setting low prices in order to discourage or deter potential new entrants

Extinction pricing: Has overall objective of eliminating competition and involves setting very low prices in the short term in order to undercut competition.

PRICE ADJUSTMENT STRATEGIES

There are seven price adjustment strategies: Discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, geographical pricing, dynamic pricing and international pricing. Let’s examine the most important price adjustment strategies.

DISCOUNT AND ALLOWANCE PRICING: The first one of the price adjustment strategies is applied in a large share of businesses. Especially in B2B, this price adjustment strategy is rather common. Most companies adjust their basic price to reward customers for certain responses, such as the early payment of bills, volume purchases and off-season buying. Discount and allowance pricing can take many forms: Discounts can be granted as a cash discount, a price reduction to buyers who pay their bills promptly. Typical payment terms look like this: “2/10, net 30”, meaning that payment is due within 30 days, but the buyer can deduct 2 per cent if the bill is paid within 10 days. Also, a quantity discount can be given, which is a price reduction to buyers who buy large volumes. A seasonal account is a third form of discount, being a price reduction to buyers who buy merchandise or services out of season.

Allowances refer to another type of reduction from the list price. For instance, trade-in allowances are price reductions given for turning in an old item when buying a new one. Especially in the car industry, trade-in allowances are very common. Promotional allowances refer to payments or price reductions to reward dealers for participating in advertising and sales support programmers'.

SEGMENTED PRICING: Several different forms of segmented pricing exist. Under customer-segment pricing, different customers pay different prices for the same product or service. For instance, museums and theatres may charge a lower admission for students and senior citizens. Under product-form pricing, different versions of the product are priced differently, although the difference is not due to cost differences. To give an example, look at a bottle of Evian mineral water. It may sell for €1 at the local supermarket. But if you buy a 150ml aerosol can of Evian Brumisateur Water Spray, you will pay more than €8 in beauty boutiques and spas. The content, though, is the same, only in a different product form.

Under location-based pricing, a firm charges different prices for different locations, although the cost of offering each location is the same. For instance, in the USA, state universities charge higher tuition fees for out-of-state students, and theatres vary their seat prices because of audience preferences for certain locations. Finally, under time-based pricing, the firm varies its price by the season, the month, the day or even the hour. This is commonly applied in the hotel business.Of course; several conditions must be met for this price adjustment strategy to work. The market must be segment able, and segments must show different degrees of demand. In addition, the cost of segmenting and reaching the single parts of the market cannot exceed the extra revenue obtained from the price differences created.

PSYCHOLOGICAL PRICING: Another one of the price adjustment strategies is psychological pricing. It refers to pricing that considers the psychology of prices, not simply the economics. Indeed, the price says something about the product.For instance, many consumers use price to judge quality. A €100 bottle of perfume may contain only €3 worth of scent, but people will be willing to pay the €100 because the high price indicates that the product is something special.

However, this does not work forever. When consumers can judge the quality of a product by examining it or by calling on past experience with it, price is less used to judge quality. But when they cannot judge quality, price becomes an important signal. Just to give an example: who is the better lawyer? One who charges €50 per hour or one who charges €500? It would need a lot of research and experience to answer this question objectively. Most of us would simply assume that the higher-priced lawyer is the better one.

In fact, for most purchases, consumers simply do not have all the skill or information they need to work out whether they are paying a good price. Often, time, ability or inclination to research different brands or stores, compare prices and get the best deals is lacking. Therefore, psychological pricing may be the most powerful one of the price adjustment strategies.

PROMOTIONAL PRICING: Promotion pricing calls for temporarily pricing products below the list price, and sometimes even below cost, to increase short-run sales. Thus, companies try to create buying excitement and urgency. Promotional pricing could take the form of discounts from normal prices to increase sales and reduce inventories. Also, special-event pricing in certain seasons to draw more customers could be used. Even low-interest financing, longer warranties or free maintenance are parts of promotional pricing.

However, promotional pricing can have adverse effects. If it is used too frequently and copied by competitors, price promotions can create customers who wait until brands go on sale before buying them. Or the brand's value and credibility can be reduced in the eyes of customers. The danger is in using price promotions as a quick fix in difficult times instead of sweating through the difficult process of developing effective longer-term strategies for building the brand. For that reason, price adjustment strategies such as promotional pricing must be treated with care.

GEO-GRAPHICAL PRICING: The next one of the price adjustment strategies is geographical pricing. In geographical pricing, the company sets prices for customers located in different parts of the country or world. Should the company risk losing the business of more-distant customers by charging them higher prices to cover the additional shipping costs? Or should the same prices be charged regardless of location?

There are **five geographical pricing strategies**:

- FOB-origin pricing: goods are placed free on board a carrier, the customer thus pays the freight from the factory to the destination. Price differences are the consequence.
- Uniform-delivered pricing: the company charges the same price plus freight to all customers, regardless of their location. Thus, there are no geographical price differences.
- Zone pricing: the company sets up two or more zones. All customer within a zone pay the same total price, the more distant the zone, the higher the price.
- Base-point pricing: the seller designates some city as a base point and charges all customers the freight cost from that city to the customer. This can level the geographical price differences if a central base-point is selected.
- Freight-absorption pricing: the seller absorbs all or part of the freight charges to get the desired business. Price differences are thus eliminated.

DYNAMIC PRICING: Dynamic pricing refers to adjusting prices continually to meet the characteristics and needs of individual customers and situations. If you look back in history, prices were normally set by negotiation between buyers and sellers. Thus, prices were adjusted to the specific customer or situation. Exactly at that point, dynamic pricing starts. Instead of using fixed prices, prices are adjusted on a day-by-day or even hour-by-hour basis, taking many variables into account, such as current demand, inventories and costs. In addition, consumers can negotiate prices at online auction sites such as eBay.As you can see, dynamic pricing is one of the price adjustment strategies that has developed rapidly in recent years and becomes more and more common.

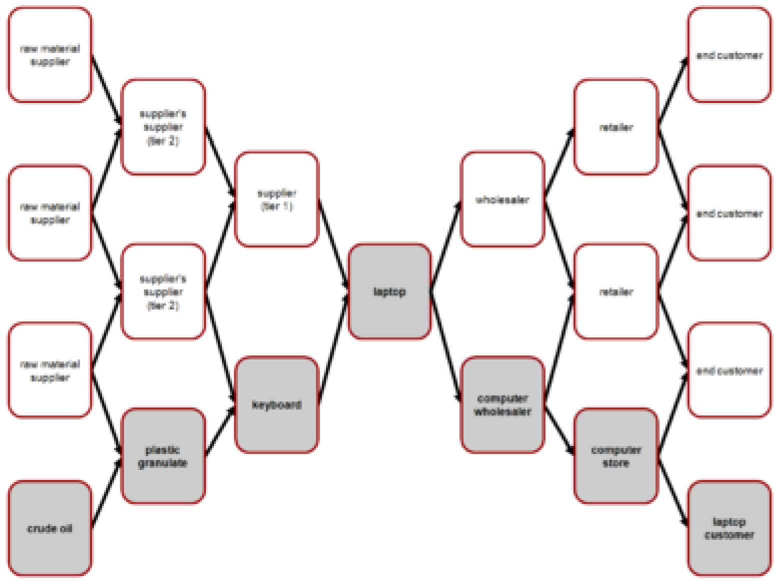
INTERNATIONAL PRICING: The last one of the major price adjustment strategies is international pricing. Companies that market their products internationally must decide what prices to charge in the different countries in which they operate. The price that a company should charge in a country can depend on many factors, involving economic conditions, competitive situations, laws and regulations, and the development of the wholesaling and retailing system. In addition, consumer perceptions and preferences may vary from country to country, calling for differences in prices. Also, the company might have different marketing objectives in different markets, which require changes in pricing strategy.

Without doubt, costs play an important role in setting international prices. Higher costs of selling in another country, which is the additional costs of operations, product modifications, shipping and insurance, import tariffs and taxes, and even exchange-rate fluctuations may create a need to charge different markets in the various markets.After having investigated the 7 price adjustment strategies, it is clear that their application depends on the specific situation the company is in. However, all of the price adjustment strategies can also do harm and damage if executed in the wrong way. Therefore, careful preparation, analysis and execution is an absolute prerequisite. Only then, the price adjustment strategies will lead to a short- and long-term increase in sales and continuous success.

SUPPLY CHAIN MANAGEMNET

Supply chain management (SCM) is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective & efficient ways possible. Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities. The concept of Supply Chain Management (SCM) is based on two core ideas:

- The first is that practically every product that reaches an end user represents the cumulative effort of multiple organizations. These organizations are referred to collectively as the supply chain.
- The second idea is that while supply chains have existed for a long time, most organizations have only paid attention to what was happening within their “four walls.” Few businesses understood, much less managed, the entire chain of activities that ultimately delivered products to the final customer. The result was disjointed and often ineffective supply chains.



WHY SCM: It is well known that supply chain management is an integral part of most businesses and is essential to company success and customer satisfaction.

Boost Customer Service:

- Customers expect the correct product assortment and quantity to be delivered.
- Customers expect products to be available at the right location. (i.e., customer satisfaction diminishes if an auto repair shop does not have the necessary parts in stock and can't fix your car for an extra day or two).
- Right Delivery Time – Customers expect products to be delivered on time (i.e., customer satisfaction diminishes if pizza delivery is two hours late or Christmas presents are delivered on December 26).
- Right After Sale Support – Customers expect products to be serviced quickly. (i.e., customer satisfaction diminishes when a home furnace stops operating in the winter and repairs can't be made for days)

Reduce Operating Costs:

- **Decreases Purchasing Cost** – Retailers depend on supply chains to quickly deliver expensive products to avoid holding costly inventories in stores any longer than necessary. For example, electronics stores require fast delivery of 60" flat-panel plasma HDTV's to avoid high inventory costs.

- **Decreases Production Cost** – Manufacturers depend on supply chains to reliably deliver materials to assembly plants to avoid material shortages that would shutdown production. For example, an unexpected parts shipment delay that causes an auto assembly plant shutdown can cost $20,000 per minute and millions of dollars per day in lost wages.
- **Decreases Total Supply Chain Cost** – Manufacturers and retailers depend on supply chain managers to design networks that meet customer service goals at the least total cost. Efficient supply chains enable a firm to be more competitive in the market place. For example, Dell's revolutionary computer supply chain approach involved making each computer based on a specific customer order, then shipping the computer directly to the customer. As a result, Dell was able to avoid having large computer inventories sitting in warehouses and retail stores which saved millions of dollars. Also, Dell avoided carrying computer inventories that could become technologically obsolete as computer technology changed rapidly.

PERTICIPANTS INSCM:

Producers: Producers or manufacturers are organizations that make a product. This includes companies that are producers of raw materials and companies that are producers of finished goods. Producers of raw materials are organizations that mine for minerals, drill for oil and gas, and cut timber. It also includes organizations that farm the land, raise animals, or catch seafood. Producers of finished goods use the raw materials and sub-assemblies made by other producers to create their products.

Distributors: Distributors are companies that take inventory in bulk from producers and deliver a bundle of related product lines to customers. Distributors are also known as wholesalers. They typically sell to other businesses and they sell products in larger quantities that an individual consumer would usually buy. Distributors buffer the producers from fluctuations in product demand by stocking inventory and doing much of the sales work to find and service customers. For the customer, distributors fulfill the "Time and Place" function – they deliver products when and where the customer wants them.

A distributor is typically an organization that takes ownership of significant inventories of products that they buy from producers and sell to consumers. In addition to product promotion and sales, other functions the distributor performs are ones such as inventory management, warehouse operations and product transportation as well as customer support and post sales service. A distributor can also be an organization that only brokers a product between the producer and the customer and never takes ownership of that product. This kind of distributor performs mainly the functions of product promotion and sales. In both these cases, as the needs of customers evolve and the range of available products changes, the distributor is the agent that continually tracks customer needs and matches them with products available.

Retailers: Retailers stock inventory and sell in smaller quantities to the general public. This organization also closely tracks the preferences and demands of the customers that it sells to. It advertises to its customers and often uses some combination of price, product selection, service, and convenience as the primary draw to attract customers for the products it sells. Discount department stores attract customers using price and wide product selection. Upscale specialty stores offer a unique line of products and high levels of service. Fast food restaurants use convenience and low prices as their draw.

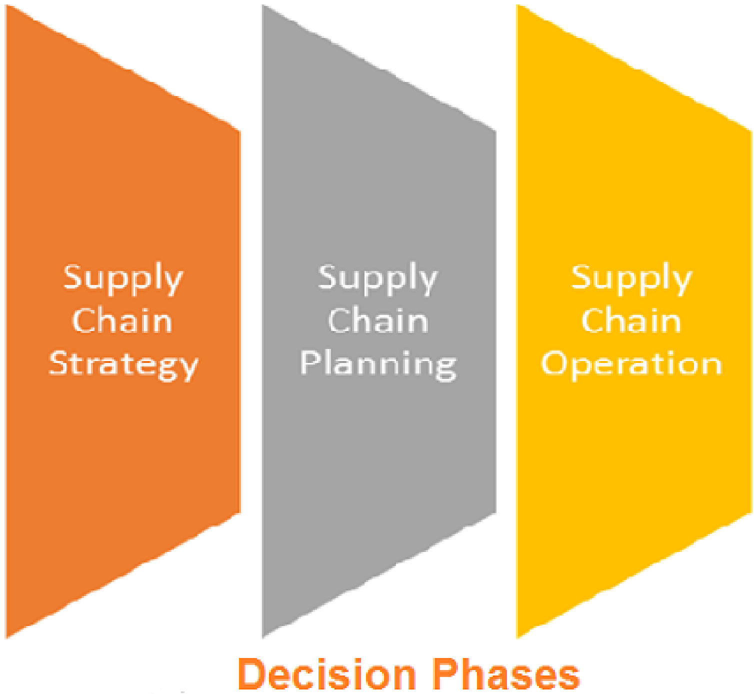
Customers: Customers or consumers are any organization that purchase and use a product. A customer organization may be an organization that purchases a product in order to incorporate it into another product that they in turn sell to other customers. Or a customer may be the final end user of a product who buys the product in order to consume it.

DECISION PHESES IN SCM:

Decision phases can be defined as the different stages involved in supply chain management for taking an action or decision related to some product or services. Successful supply chain management requires decisions on the flow of information, product, and funds that fall into three decision phases. Here we will be discussing the three main decision phases involved in the entire process of supply chain. The three phases are described below –

Supply Chain Strategy: In this phase, decision is taken by the management mostly. The decision to be made considers the sections like long term prediction and involves price of goods that are very expensive if it goes wrong. It is very important to study the market conditions at this stage.

These decisions consider the prevailing and future conditions of the market. They comprise the structural layout of supply chain. After the layout is prepared, the tasks and duties of each is laid out. All the strategic decisions are taken by the higher authority or the senior management. These decisions include deciding manufacturing the material, factory location, which should be easy for transporters to load material and to dispatch at their mentioned location, location of warehouses for storage of completed product or goods and many more.



Supply Chain Planning: Supply chain planning should be done according to the demand and supply view. In order to understand customers' demands, a market research should be done. The second thing to consider is awareness and updated information about the competitors and strategies used by them to satisfy their customer demands and requirements. As we know, different markets have different demands and should be dealt with a different approach.

This phase includes it all, starting from predicting the market demand to which market will be provided the finished goods to which plant is planned in this stage. All the participants or employees involved with the company should make efforts to make the entire process as flexible as they can. A supply chain design phase is considered successful if it performs well in short-term planning.

Supply Chain Operations: The third and last decision phase consists of the various functional decisions that are to be made instantly within minutes, hours or days. The objective behind this decisional phase is minimizing uncertainty and performance optimization. Starting from handling the customer order to supplying the customer with that product, everything is included in this phase.

For example, imagine a customer demanding an item manufactured by your company. Initially, the marketing department is responsible for taking the order and forwarding it to production department and inventory department. The production department then responds to the customer demand by sending the demanded item to the warehouse through a proper medium and the distributor sends it to the customer within a time frame. All the departments engaged in this process need to work with an aim of improving the performance and minimizing uncertainty.

TOOLS AND TECHNIQUES OF SCM: Supply chain management (SCM) is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective & efficient ways possible. Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities. The concept of Supply Chain Management (SCM) is based on two core ideas: The first is that practically every product that reaches an end

Order Processing Tools: Another type of supply chain management tool works with supplies at the point of intake. Order processing helps companies to better understand what's happening when they receive deliveries of supply chain products at the door. Order processing tools can include many different types of metrics and identifiers to help the business with intake analysis.

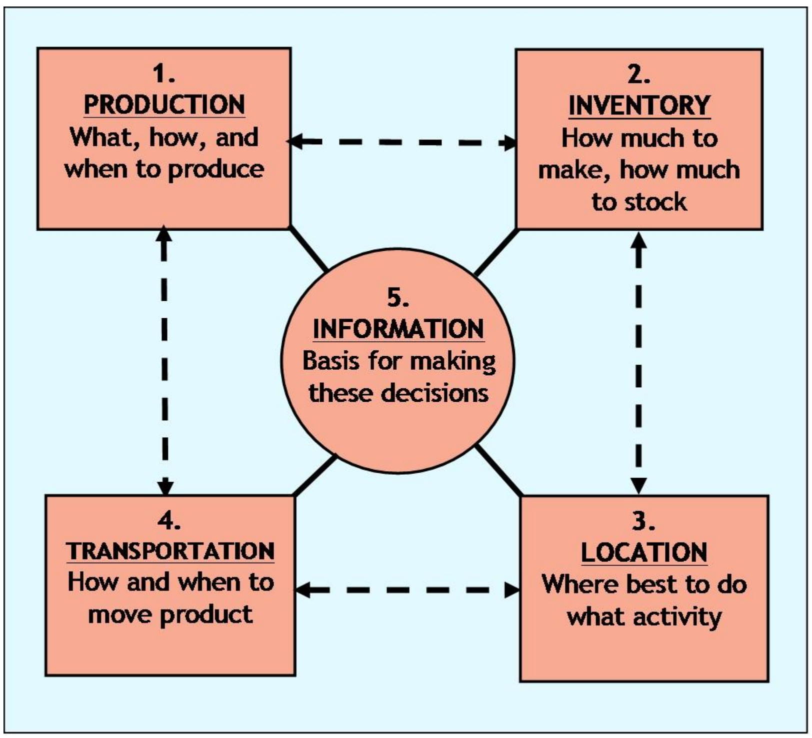
Freight Handling: In addition to various shipping tools, supply chain management software systems could also incorporate specific types of freight handling tools by industry. For example, with the evolution of cold chain logistics, and new regulations concerning refrigeration and freezing for perishable goods, SCM platforms can have tools that will certify that supply chain materials have been kept at a certain temperature right up to the last mile of delivery.

Bid and Spend Tools: Another major area of supply chain handling is cost. Sophisticated supply chain management platform tools can help companies to dig down and take a granular look at what they're spending on each type of supply chain item. These tools can also assist the business in evaluating bids from different providers, to spot any opportunities for efficiency or improvement.

Compliance Tools: A given company may have compliance responsibilities according to its industry. Compliance tools are built with those responsibilities in mind. Again, with product-centered businesses, compliance may be related to cold chain storage or other handling requirements. With other businesses, it may be related to financial data and customer identifiers. Either way, compliance tools help to maintain compliance standards.

Audit Tools: Audit tools help outsiders to come in and take a look. These SCM features can be useful for e-discovery or for other situations including legal challenges. Or, they may be helpful in business-as-usual where it's standard practice to keep an outside set of eyes on documenting business processes.

DERIVERS OF SCM: Supply chain capabilities are guided by the decisions you make regarding the five supply chain drivers. Each of these drivers can be developed and managed to emphasize **responsiveness** or **efficiency** depending on changing business requirements. As you investigate how a supply chain works, you learn about the demands it faces and the capabilities it needs to be successful. Adjust your supply chain drivers to meet those needs.
The five drivers provide a useful framework in which to think about supply chain capabilities. Decisions made about how they operate will determine the mix of responsiveness and efficiency a supply chain is capable of achieving. The five drivers are illustrated in the diagram below.



1. Production – This driver can be made very responsive by building factories that have a lot of excess capacity and use flexible manufacturing techniques to produce a wide range of items. To be even more responsive, a company could do their production in many smaller plants that are close to major groups of customers so delivery times would be shorter. If efficiency is desirable, then a company can build factories with very little excess capacity and have those factories optimized for producing a limited range of items. Further efficiency can also be gained by centralizing production in large central plants to get better economies of scale, even though delivery times might be longer. Using SCM Globe you simulate decisions about production by the products and production rates you define in the supply chain, and the facilities you create to make those products.

2. Inventory – Responsiveness can be had by stocking high levels of inventory for a wide range of products. Additional responsiveness can be gained by stocking products at many locations so as to have the inventory close to customers and available to them immediately. Efficiency in inventory management would call for reducing inventory levels of all items and especially of items that do not sell as frequently. Also, economies of scale and cost savings can be gotten by stocking inventory in only a few central locations such as regional distribution centers (DCs). Using SCM Globe you simulate decisions about inventory by setting product production and product demand levels at facilities, and by defining on-hand amounts for different products at facilities throughout the supply chain.

3. Location – A location decision that emphasizes responsiveness would be one where a company establishes many locations that are close to its customer base. For example, a fast-food chain like McDonald's uses location to be very responsive to their customers by opening up lots of stores in high volume markets. Efficiency can be achieved by operating from only a few locations and centralizing activities in common locations. An example of this is the way Dell serves large geographical markets from only a few central locations that perform a wide range of activities.
Simulate this decision in SCM Globe by the way you locate your facilities (factories, warehouses and stores), and the storage capacities and operating expenses you define for those facilities. The screenshot below shows an example of this.

4. Transportation – Responsiveness can be achieved by a transportation mode that is fast and flexible such as trucks and airplanes. Many companies that sell products through catalogs or on the Internet are able to provide high levels of responsiveness by using transportation to deliver their products often within 24 hours. FedEx and UPS are two companies that can provide very responsive transportation services. And now Amazon is expanding and operating its own transportation services in high volume markets to be more responsive to customer desires. Efficiency can be emphasized by transporting products in larger batches and doing it less often. The use of transportation modes such as ship, railroad, and pipelines can be very efficient. Transportation can also be made more efficient if it is originated out of a central hub facility or distribution center (DC) instead of from many separate branch locations.
Simulate transportation decisions in SCM Globe by the modes of transportation you select to move products between facilities, and the frequencies of those deliveries.

5. Information – The power of this driver grows stronger each year as the technology for collecting and sharing information becomes more wide spread, easier to use, and less expensive. Information, much like money, is a very useful commodity because it can be applied directly to enhance the performance of the other four supply chain drivers. High levels of responsiveness can be achieved when companies collect and share accurate and timely data generated by the operations of the other four drivers. The supply chains that serve the electronics markets are some of the most responsive in the world. Companies in these supply chains from

manufacturers, to distributors, to the big retail stores collect and share data about customer demand, production schedules, and inventory levels.
SCM Globe simulates real-time information sharing between all participants in a supply chain by making data about operating costs and on-hand inventory available for all the facilities in the supply chain. As you run a simulation you can see what is happening from end to end across your supply chain. Most companies are not able at present to see much about the overall status of the supply chains they participate in. Information like that from SCM Globe simulations is usually not readily available to most companies in real world supply chains – but that will change.

Over the long run, the cost of one driver — information — continues to drop while the cost of the other four drivers continues to rise. Companies that make effective use of information to increase coordination internally and with their supply chain partners so as to get optimal performance from the other four drivers will gain the most market share and be the most profitable. The table below summarizes what can be done to guide the five supply chain drivers toward responsiveness **or** efficiency.

Supply Chain Drivers	Responsiveness	Efficiency
1. Production	- Excess capacity - Flexible manufacturing - Many smaller plants	- Little excess capacity - Narrow focus - Few central plants
2. Inventory	- High inventory levels - Wide range of items	- Low inventory levels - Fewer items
3. Location	- Many locations close to customers	- Few central locations serve wide areas
4. Transportation	- Frequent shipments - Fast & Flexible modes	- Few large shipments - Slower and cheaper modes
5. Information	- Collect & share timely and accurate data	- Cost of information drops while other costs rise

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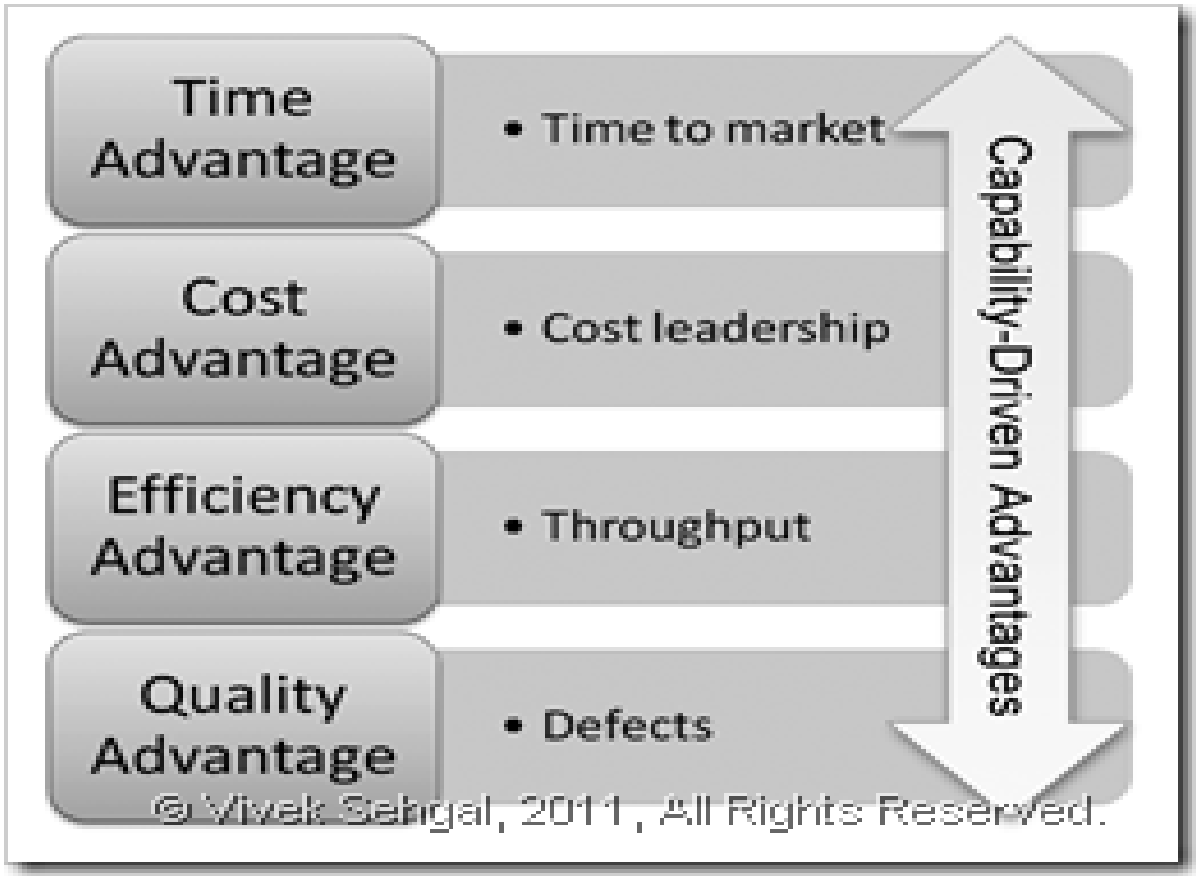
SCM & COMPETITIVE ADVANTAGES:



Time Advantage

Time advantage is created when one of the business processes is *faster* than the other in achieving the same result. Time advantage is best exemplified with the *time to market* examples. Time advantage is typically created through careful analysis of all the activities supporting a process and elimination of those that don't add any value to the process, but only add lead time. Time advantage can create product premiums, increased revenues, longer product life cycles, and intangible differentiator levers (such as brand value or an image of being innovative or agile). It becomes a competitive advantage when the firm develops processes that will enable it to quickly introduce new products in the market and portray the company as a pioneer and when the firm's business strategy leverages such differentiation through a premium brand image to grow market share and increase revenues.

Cost Advantage:Cost advantage is created when the superior business process is cheaper to operate than the inferior other. Cost advantage can be created through elimination of waste from the process, but also by optimizing the process within the process constraints. A lot of supply chain processes fall in this category and can provide finite cost advantages when implemented correctly. Inventoryplanning processes within the supply chain function is a good example in this category. Or, in a manufacturing industry, cost advantages may arise from better manufacturing process, cheaper inputs, or higher levels of automation that increase efficiency. Reducing set-up change time, reducing the frequency of such changes, and increasing batch sizes are several commonly used methods to reduce per unit manufacturing costs. However, a superior manufacturing process will potentially have a comparable cost structure, but allow for short batch sizes to enable flexible factory schedules.

Every revised iteration of the original business process can potentially improve the existing cost structure and provide a continued superiority afforded by the process. These improvements are necessary to sustain the advantage over time. Cost advantage allows the company to become more profitable or expand its market share.

Efficiency Advantage: Efficiency advantage is created when the superior business processes provide higher throughput. Throughput measures the output of a process per unit time. Sometimes, efficiency may mean asset utilization, such as the utilization of the assembly line in a manufacturing context, blast furnace utilization in steel production, or a jockey's utilizationinthe warehouse of a retailer. Assets in the context of efficiency can be people, machinery, or technology, anything that it costs to maintain and provides a useful function in the business process. The efficiency advantage can be created by automating, simplifying, or expediting a process. Efficiency advantage normally results in more favorable cost structure and supports a cost-based business strategy.

Think of the flexibility as part of the efficiency advantage. After all, there is no point in efficiently building widgets that no one wants. Therefore, flexibility of a process to change and adapt in response to the changes in the business environment is an advantage that should be built into the process. This flexibility in manufacturing environments typically shows up as set-up change time, while in nonmanufacturing industries, it may be the time required to respond to changing demand.

Quality Advantage: Quality advantage is created when the superior business process creates fewer defects than the inferior one. Quality advantage is generally a result of standardizing, automating, or simplifying a process. In the manufacturing context, a statistical process control (SPC) that allows companies to monitor the health of the process to reduce defects is a good example of this advantage. When compared to the conventional quality control processes that detect the defects after the product has been manufactured, the SPC-based approach prevents production of defective products by monitoring key process parameters. Quality advantage in the nonmanufacturing context relates to the ability of a process to consistently produce the same result (dependability and repeatability), and this definition can be applied to any business function, such as processing customer orders, fulfilling orders from a warehouse, creating replenishment demand, customer service, and so on. Quality advantage can reduce costs by preventing defects or introduce produce differentiators through better quality, such as increasedcustomer satisfaction, customer retention, brand value, product durability, and so on. In all these cases, the quality advantage can support a business strategy by creating a differentiator

with a potential value for which the buyer is ready to pay a premium.
Finally, for any process or capability to be able to create a real competitive advantage, the following two conditions must be fulfilled:

1. The value created through the superior process must be valuable enough to the buyer that she is ready to pay a premium for the differentiator created by this process or move her business to the firm to take advantage of this differentiator.
2. The cost of creating the process superiority must be less than the premium generated through the differentiator advantage created by the process.

TYPES OF SUPPLY CHAIN: The supply chain shown in Figure 8.1 (page 359 of the book) is typical for a manufacturing company. If the company is a traditional one, it will produce items that will be stored in warehouses and other locations, making the supply chain more complex. If the company uses a make-to-order business model, there will be no need for storing finished products, but there will be need to store raw materials and components. Therefore, it is clear that supply chains depend on the nature of the company. The following four types are very common.

Integrated Make to-Stock Model: The integrated make-to-stock supply chain model focuses on tracking customer demand in real time, so that the production process can restock the finishedgoods inventory efficiently. This integration is often achieved through use of an information system that is fully integrated (an enterprise system, described in Section 8.3). Through application of such a system, the organization can receive real-time demand information that can be used to develop and modify production plans and schedules. This information is also integrated further down the supply chain to the procurement function, so that the modified production plans and schedules can be supported by input materials. An example is Starbucks Coffee (starbucks.com) which uses several distribution channels, not only selling coffee drinks to consumers, but also selling beans and ground coffee to businesses such as airlines, supermarkets, department stores, and ice-cream makers. Sales are also done through direct mail, including the Internet. Starbucks is successfully integrating all sources of demand and matching it with the supply by using Oracle's automated information system for manufacturing (called GEMMS). The system does distribution planning, manufacturing scheduling, and inventory control (using MRP). The coordination of supply with multiple distribution channels requires timely and accurate information flow about demand, inventories, storage capacity, transportation scheduling, and more. The information systems are critical in doing all the above with maximum effectiveness and reasonable cost. Finally, Starbucks must work closely with hundreds of business partners.

Build-to-Order Model: Dell Computer is best known for its application of the build-to-order model (see Appendix 3A). In this model a company begins assembly of the customer's order almost immediately upon receipt of the order. This requires careful management of the component inventories and delivery of needed supplies along the supply chain. A solution to this potential inventory problem is to utilize many common components across several production lines and in several locations. One of the primary benefits of this type of supply chain model is the perception that each customer is receiving a personalized product. In addition, the customer is receiving it rapidly. This type of supply chain model supports the concept of mass customization

Continuous Replenishment Model: The idea of the continuous replenishment supply chain model is to constantly replenish the inventory by working closely with suppliers and/or intermediaries. However, if the replenishment process involves many shipments, the cost may betoo high, causing the supply chain to collapse. Therefore very tight integration is needed between the order-fulfillment process and the production process. Real-time information about demand changes is required in order for the production process to maintain the desired replenishment schedules and levels. This model is most applicable to environments with stable demand patterns, as is usually the case with distribution of prescription medicine. The model requires intermediaries when large systems are involved. Such a distribution channel is shown in Figure for McKesson Co.

Channel Assembly Model:A slight modification to the build-to-order model is the channel assembly supply chain model. In this model, the parts of the product are gathered and assembled as the product moves through the distribution channel. This is accomplished through strategic alliances with third-party logistics (3PL) firms. These services Suppliers Suppliers Solectron Pharmaceutical Manufacturers McKesson Distribution Centers Transportation Company (FedEx, UPS) Reseller/Customer Ingram's Web-site Ingram Micro Retail Pharmacies Customers Business Customers Distribution Centers Raw Material Sources Physical Flow Flow of Information (a) Integrated pharmaceutical supply chain. (Flow of payments not shown.) (b) Build-to-order supply chain with no inventory. For example, a computer company would have items such as the monitor shipped directly from its vendor to a 3PL facility (e.g., one run by Federal Express or UPS). The customer's computer order would therefore only come together once all items were placed on a vehicle for delivery. A channel assembly may have low or zero inventories, and it is popular in the computer technology industry. An example is shown in Figure (lower part), with a large distributor, Ingram Micro, at the center of the supply chain.

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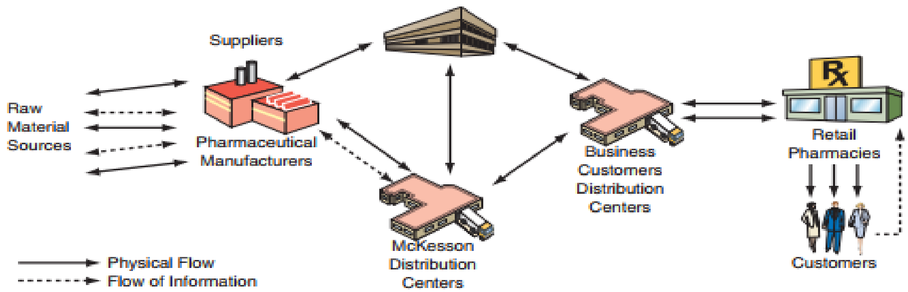
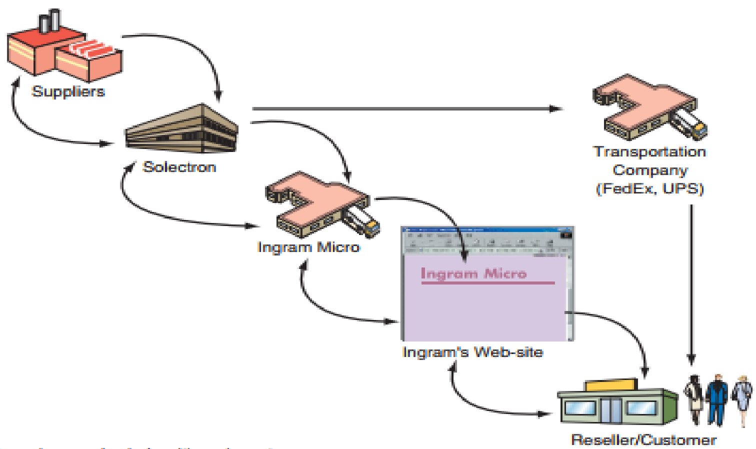


(a) Integrated pharmaceutical supply chain. (Flow of payments not shown.)

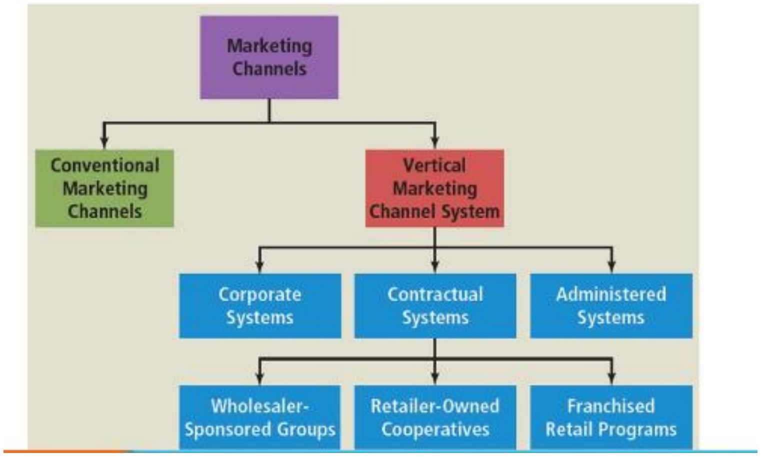


Types of

(b) Build-to-order supply chain with no inventory.

SUPPLY CHAIN WIDTH: Supply chain width, or channel width, shown in Exhibit 5.4, is usually described in termsof intensive distribution, selective distribution, or exclusive distribution. Intensivedistribution means that all possible retailers are used to reach the target market.Selectivedistributionmeansthatasmallernumberofretailersareused,whileexclusivedistribution means only one retailer is used in the trading area. Although there are manyexceptions,as a,rule,intensive distributionisassociatedwiththedistributionofconvenience goods, which are products that are frequently purchased; those for which theconsumer is not willing to expend a great deal of effort to purchase. Selective distributionis associated with shopping goods, items for which the consumer will make a price/valuecomparison before purchasing. Exclusive distribution is identified with specialty goods—products that the consumer expressly seeks out. Thus, soft drinks, milk, and greetingcards (convenience goods) tend to be carried by a very large number of retailers; homeappliances and apparel (shopping goods) are handled by relatively fewer retailers; andspecialty goods such as Rolex watches are featured by only one dealer in a trading area.Some of these specialty goods are so exclusive, Rolls Royce automobiles for example, that many trade areas may not have a retailer handling them.

CONTROL OF SUPPLY CHAIN:



Conventional Marketing Channel: Conventional marketing channel have been loose connections of independentcompanies, each showing little concern for overall channel performance. Theyhave lacked strong leadership and have been troubled by damaging conflict andpoor performance. A conventional marketing channel consists of one or moreindependent producers, wholesalers and retailers. Each is a separated businessseeking to maximize its own profits, even at the expense of profits for thenetwork as a whole. No channel members has much control over the othermembers, and no formal means exist for assigning roles and resolving channelconflict.

A conventional marketing channel is one in which each member of the channel is loosely aligned with the others and takes a short-term orientation. Predictably, each member's orientation is toward the subsequent institution in the channel. The prevailing attitude is "what is happening today" as opposed to "what will happen in the future." The manufacturer interacts with and focuses efforts on the wholesaler, the wholesaler is primarily concerned with the retailer, and the retailer focuses efforts on the final consumer. In short, all of the members focus on their immediate desire to close the sale or create a transaction. Thus, the conventional marketing channel consists of a series of pairs in which the members of each pair recognize each other, but not necessarily the other components of the supply chain.

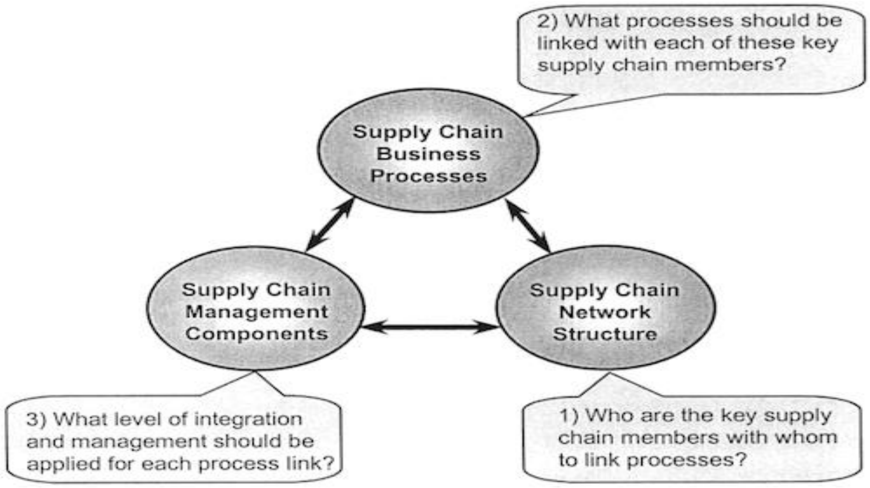
Vertical Marketing Channels: A vertical marketing system (VMS) is one in which the main members of a distribution channel—producer, wholesaler, and retailer—work together as a unified group in order to meet consumer needs. In conventional marketing systems, producers, wholesalers, and retailers are separate businesses that are all trying to maximize their profits. When the effort of one channel member to maximize profits comes at the expense of other members, conflicts can arise that reduce profits for the entire channel. To address this problem, more and more companies are forming vertical marketing systems.

Vertical marketing systems can take several forms. In a corporate VMS, one member of the distribution channel owns the other members. Although they are owned jointly, each company in the chain continues to perform a separate task. In an administered VMS, one member of the channel is large and powerful enough to coordinate the activities of the other members without an ownership stake. Finally, a contractual VMS consists of independent firms joined together by contract for their mutual benefit. One type of contractual VMS is a retailer cooperative, in which a group of retailers buy from a jointly owned wholesaler. Another type of contractual VMS is a franchise organization, in which a producer licenses a wholesaler to distribute its products.

FRAMEWORK OF SUPPLY CHAIN MANAGEMENT

The scm framework has three key nodes:

- The supply chain network structure
- Supply chain business processes, and
- Supply chain management components



The supply chain network structure:A **Supply Chain Network (SCN)** is an evolution of the basic supply chain. Due to rapid technological advancement, organizations with a basic supply chain can develop this chain into a more complex structure involving a higher level of interdependence and connectivity between more organizations, this constitutes a supply chain network.

Businesses are often part of a larger network of organizations, a supply chain network can be used to highlight interactions between organizations; they can also be used to show the flow of information and materials across organizations. Supply chain networks are now more global than ever and are typically structured with five key areas: external suppliers, production centers, distribution centers (DCs), demand zones, and transportation assets.

Endogenous uncertainty

An uncertainty can be categorized as 'endogenous' when the origin of the risk is within the supply chain network itself, such as market volatility or technological turbulence.

Exogenous uncertainty

An uncertainty can be categorized as 'exogenous' when the origin of the risk is external to the supply chain network. Exogenous uncertainties can be further categorized; ongoing risks such as economic volatility, can be described as a 'continuous risk'. 'Discrete' events refer to infrequent events that could disrupt the supply chain process, such as natural disasters

Risk management

By distinguishing between these types of uncertainty, an organization can decide the best approach to risk management. A company has a very limited ability to prevent exogenous uncertainty. The risk to the supply chain network can be minimized by being well prepared for potential events. Endogenous uncertainty can be somewhat mitigated with precautions such as regular communication between an organization and supplier.

Supply chain Business Process: Supply chain management is the unsung hero of the manufacturing sector. It’s not glamorous – there’s nothing tangible to validate your efforts – but it’s the foundation that supports every manufacturing business. A seamless supply chain improves inventory management, keeps waste to a minimum and frees up capital that would otherwise be tied up in stock – so it’s worth getting right! However, supply chain management doesn’t happen in isolation, it is built on the foundation of key business processes. Looking at some of these key processes, we can see how a best-of-breed ERP system such as SYSPRO offers a platform for Supply Chain Integration:

Customer Relationship Management: Creates a structure for developing and maintaining relationships with customers. Individual customers or groups are identified, based on their value over time, and their loyalty can be enhanced by providing tailored products and services. Cross-functional customer teams develop Product and Service Agreements (PSA) to meet the needs of key accounts and for segments of other customers. They also work with key customers to improve processes and eliminate demand variability and non-value added activities. Performance reports are designed to measure the profitability of individual customers as well as the financial impact on the customer.

The SYSPRO software solution enables companies to collect, maintain and manipulate a rich, customer-related database to promote increasing revenue and profitability. Our Sales and Distribution solutions and SYSPRO Reporting also support the CRM process.

RETAIL INVENTORY MANAGEMENT: Inventory refers to the goods stocked for future use. Every retail chain has its own warehouse to stock the merchandise to be used when the existing stock replenishes.

Why Inventory Management?

Gone are the days when customers had limited options for shopping. In the current scenario, if a customer does not find the desired merchandise at one retail shop, he has a second brand to rely on. A retailer can't afford to lose even a single customer. It is really important for the retailer to retain his existing customers as well as attract potential buyers. The retailer must ensure that every customer leaves his store with a smile. Unavailability of merchandise, empty shelves leave a negative impression on the customers and they are reluctant to visit the store in near future. Inventory management prevents such a situation. One must understand that the products need some time to reach the store from the supplier's unit. The retailer must have sufficient stock to offer to the customers during the "lead time". Managing inventory also helps the retailer during situations beyond control like transport strikes, curfews etc. The retailer has ample stock as a result of judicious inventory management even at the time of crisis.

Important Terminologies used in Inventory management:

Every product available at the store has a unique code. This code which helps in the identification and tracking of the products at the retail store is called as stock keeping unit or SKU.The retailer feeds each and every SKU in the master computer and can easily track the product in the stock just by entering the SKU Number.Assigning a unique code to the products avoids unnecessary searching.

New Old Stock (Abbreviated as NOS): The stock which is never been sold by the retailer and now not even being manufactured comprises the new old stock. Such products do not have takers and may not be produced anymore.

Stock out: Stock out refers to a situation when the retailer fails to fulfill the customer's requirement due to lack of merchandise. The merchandise is not available in the current inventory and thus the customer has to return home empty handed.

Types of Inventory in Retailing:

Inventory is defined as a stock or store of goods. These goods are maintained on hand at or near a business's location so that the firm may meet demand and fulfill its reason for existence. If the firm is a retail establishment, a customer may look elsewhere to have his or her needs satisfied if the firm does not have the required item in stock when the customer arrives. If the firm is a manufacturer, it must maintain some inventory of raw materials and work-in-process in order to keep the factory running. In addition, it must maintain some supply of finished goods in order to meet demand

RAW MATERIALS: Raw materials are inventory items that are used in the manufacturer's conversion process to produce components, subassemblies, or finished products. These inventory items may be commodities or extracted materials that the firm or its subsidiary has produced or extracted. They also may be objects or elements that the firm has purchased from outside the organization. Even if the item is partially assembled or is considered a finished good to the supplier, the purchaser may classify it as a raw material if his or her firm had no input into its production. Typically, raw materials are commodities such as ore, grain, minerals, petroleum, chemicals, paper, wood, paint, steel, and food items. However, items such as nuts and bolts, ball bearings, key stock, casters, seats, wheels, and even engines may be regarded as raw materials if they are purchased from outside the firm.

WORK-IN-PROCESS: Work-in-process (WIP) is made up of all the materials, parts (components), assemblies, and subassemblies that are being processed or are waiting to be processed within the system. This generally includes all material—from raw material that has been released for initial processing up to material that has been completely processed and is awaiting final inspection and acceptance before inclusion in finished goods.

Any item that has a parent but is not a raw material is considered to be work-in-process. A glance at the rolling cart product structure tree example reveals that work-in-process in this situation consists of tops, leg assemblies, frames, legs, and casters. Actually, the leg assembly and casters are labeled as subassemblies because the leg assembly consists of legs and casters and the casters are assembled from wheels, ball bearings, axles, and caster frames.

FINISHED GOODS: A finished good is a completed part that is ready for a customer order. Therefore, finished goods inventory is the stock of completed products. These goods have been inspected and have passed final inspection requirements so that they can be transferred out of work-in-process and into finished goods inventory. From this point, finished goods can be sold directly to their final user, sold to retailers, sold to wholesalers, sent to distribution centers, or held in anticipation of a customer order.

Any item that does not have a parent can be classified as a finished good. By looking at the rolling cart product structure tree example one can determine that the finished good in this case is a cart.Inventories can be further classified according to the purpose they serve. These types include transit inventory, buffer inventory, anticipation inventory, decoupling inventory, cycle inventory, and MRO goods inventory. Some of these also are know by other names, such as speculative inventory, safety inventory, and seasonal inventory. We already have briefly discussed some of the implications of a few of these inventory types, but will now discuss each in more detail.

DECOUPLING INVENTORY: Very rarely, if ever, will one see a production facility where every machine in the process produces at exactly the same rate. In fact, one machine may process parts several times faster than the machines in front of or behind it. Yet, if one walks through the plant it may seem that all machines are running smoothly at the same time. It also could be possible that while passing through the plant, one notices several machines are under repair or are undergoing some form of preventive maintenance. Even so, this does not seem to interrupt the flow of work-in-process through the system. The reason for this is the existence of an inventory of parts between machines, a decoupling inventory that serves as a shock absorber, cushioning the system against production irregularities. As such it "decouples" or disengages the plant's dependence upon the sequential requirements of the system (i.e., one machine feeds parts to the next machine).

The more inventories a firm carries as a decoupling inventory between the various stages in its manufacturing system (or even distribution system), the less coordination is needed to keep the system running smoothly. Naturally, logic would dictate that an infinite amount of decoupling inventory would not keep the system running in peak form. A balance can be reached that will allow the plant to run relatively smoothly without maintaining an absurd level of inventory. The cost of efficiency must be weighed against the cost of carrying excessinventory so that there is an optimum balance between inventory level and coordination within the system.

CYCLE INVENTORY: Those who are familiar with the concept of economic order quantity (EOQ) know that the EOQ is an attempt to balance inventory holding or carrying costs with the costs incurred from ordering or setting up machinery. When large quantities are ordered or produced, inventory holding costs are increased, but ordering/setup costs decrease. Conversely, when lot sizes decrease, inventory holding/carrying costs decrease, but the cost of ordering/setup increases since more orders/setups are required to meet demand. When the two costs are equal (holding/carrying costs and ordering/setup costs) the total cost (the sum of the two costs) is minimized. Cycle inventories, sometimes called lot-size inventories, result from this process. Usually, excess material is ordered and, consequently, held in inventory in an effort to reach this minimization point. Hence, cycle inventory results from ordering in batches or lot sizes rather than ordering material strictly as needed.

BENEFITS OF INVENTORY MANAGEMENT: With smart inventory management, your business will enjoy many benefits. Here are the top 10 benefits of good inventory management:

1. **Inventory Balance.** Good inventory management helps you figure out exactly how much inventory you need. This makes it easier to prevent product shortages and keep just enough inventory on hand without having too much.

2. **Repeat Customers.** Good inventory management leads to what every business owner wants – repeat customers. You want your hard-earned customers to keep

coming back to your business to meet their needs. One way to do this is to make sure you have what they're looking for every time they come.

3. **Accurate Planning.** Using smart inventory management, you can stay ahead of the demand curve, keep the right amount of products on hand and plan ahead for seasonal changes. This goes back to keeping your customers happy all year long.
4. **Warehouse Organization.** If you know which products are your top sellers and what combinations of products your customers often order together, you can optimize your warehouse setup by putting those products close together and in easily accessible places. This speeds up the picking, packing and shipping processes.
5. **Inventory Orders.** If you've done a good job keeping track of how much inventory you have on hand, you can make smarter decisions about when and what to order. Inventory management software lets you speed up the ordering process. You can simply scan a product barcode and type in some information to place an order and generate an invoice.
6. **Inventory Tracking.** If you have multiple locations, then inventory management becomes even more important because you need to coordinate your supplies at each location depending on differences in demand and other factors.
7. **Time Saving.** Inventory management is a great time-saving tool. By keeping track of all the products you have on hand and on order, you can save yourself the hassle of doing inventory recounts to make sure your records are accurate. This once again requires inventory management software.
8. **Cost Cutting.** When your inventory is humming along efficiently through your facilities, you can bet you'll save a lot of money. Inventory management helps you avoid wasting money on slow-moving products so you can put it to better use in other areas of your business.

RETAIL LOGISTICS MANAGEMENT:A supply chain is comprised of all the businesses and individual contributors involved in creating a product, from raw materials to finished merchandise. Logistics is a specialized field of its own comprised of shipping, warehousing, courier services, road/rail transportation and air freight.

The Role of Logistics in Supply Chain ManagementGlobally, Logistics is a $4 trillion business segment. That means that moving and storing goods around the planet is 10% of the global GDP.

Supply Chain and Logistics Fun Facts and Statistics

- It's estimated that it costs $.37 to deliver a box of cereal to the breakfast table in the U.S. (source: Council of Supply Chain Management Professionals - CSCMP).
- Barcodes were first used to track and label railroad cars. The first product using a barcode was a pack of Wrigley's gum scanned in a supermarket in 1974.

- Approximately 70& of all U.S. freight is transported by trucks each year. (source: PLS Logistics).
- In 2015, approximately 671 billion dollars of manufactured and retailed goods were transported in the U.S. (source: PLS Logistics).
- Electronics, Furniture, Food, and Clothing are the categories of products that are shipped most often in the U.S. (source: PLS Logistics).

Concept: The concept of logistics is fairly new in the business world. The theoretical development was not used until 1966. Since then, many business practices have evolved and logistics currently costs between 10 and 25 percent of the total cost of an international purchase. There are two main phases that are important in the movement of materials: material management and physical distribution. • Materials management is the timely movement of raw materials, parts, and supplies. • The physical distribution is the movement of the firm's finished products to the customers. Both phases involve every stage of the process including storage. The ultimate goal of logistics is: "To coordinate all efforts of the company to maintain a cost effective flow of goods." Word, 'Logistics' is derived from French word 'loger', which means art of war pertaining to movement and supply of armies.

A military concept Fighting a war requires:

a. Setting of an objective

b. Meticulous planning to achieve the objective

c. Troops properly deployed

d. Supply line consisting weaponry, food, medical assistance, etc. maintained

Importance of Logistics:

Logistics has gained importance due to 8 trends

• Transportation cost rose rapidly due to the rise in fuel prices

• Production efficiency was reaching a peak

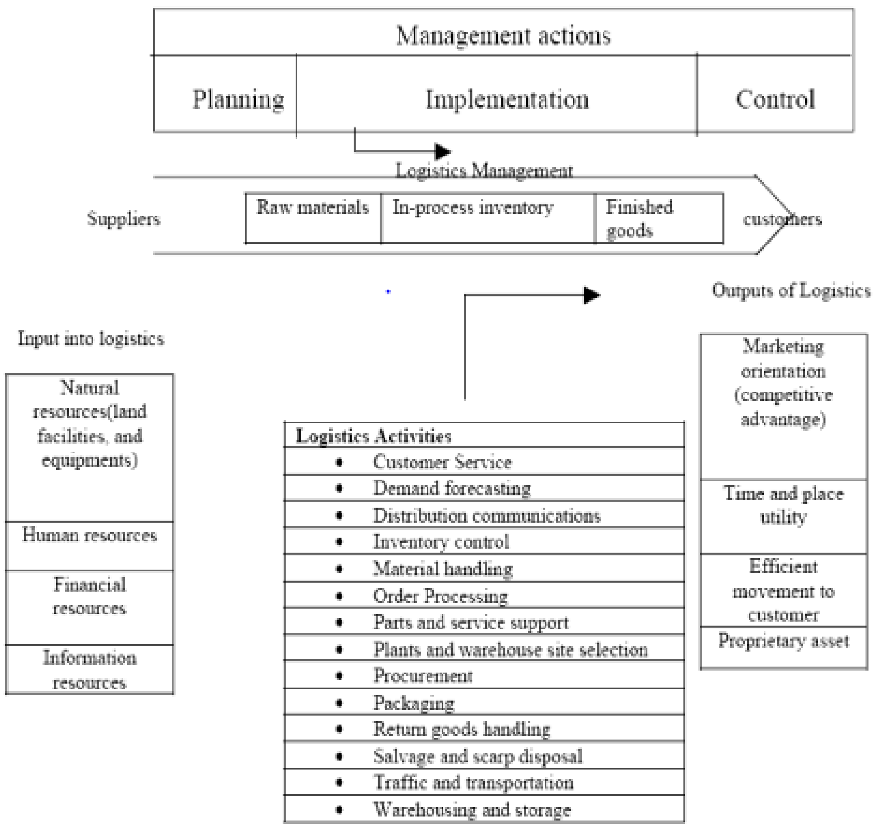
• Fundamental change in inventory philosophy

• Product line proliferated

• Computer-technology

• Increased use or computers

Role of logistics in retail management: Logistics is the designing and managing of a system in order to control the flow of material throughout a corporation. This is a very important part of an international company because of geographical barriers. Logistics of an international company includes movement of raw materials, coordinating flows into and out of different countries, choices of transportation, cost of the transportation, packaging the product for shipment, storing the product, and managing the entire process.



EDI IN SCM:The usage of EDI in the area of SCM has helped not only to maintain efficient inventory levels, but also to effectively deal with stocks-outs and maintain efficient inventory levels, but also to effectively deal with stocks-outs and last minute delays. The National Institute of Standards and Technology, in a 1996 publication, defines electronic data interchange(EDI) as the computer-to-computer interchange of strictly formatted messages that represent documents other than monetary instruments.

Electronic data interchange implies a sequence of messages between two parties, either of whom may serve as originator or recipient. The formatted data representing the documents may be transmitted from the originator to the recipient via telecommunications or physically transported on electronic storages media.

There are four major sets of EDI standards.

1. The UN-recommended UN/EDIFACT is the only international standard and is predominant outside of North America.
2. The US standards ANSI ASC X12 is predominant in North America.

3. The TRADACOMS standard developed by the ANA(Article Numbering Association) is predominant in the UK retail industry.
4. The ODETTE standard issued within the European automotive industry.

Electronic data interchange saves money for the retailer by reducing continuous human interaction and promoting paperless transactions. It also helps in storing and manufacturing data, thereby reducing another set of expresses. The speed with which the trading partners complete the transactions increases manifold. IT also helps in reducing inventory due to planned accuracy and information availability. Electronic data interchange, combined with artificial intelligence, enhances the overall supply chain management.

Steps Involved in Implementing in EDI:

Investigate your ERP or Pros system: Investigate the primary ERP or POS system to determine what information can be processed, generated and imported by the system.

Survey trading partners: Investigate all your supply chain trading partners in order to identify those who are EDI capable, and the EDI transactions they require.

Gap analysis: Perform a gap analysis to evaluate what information is readily available and what information is required for your EDI transactions, based on your business requirements.

Sequence diagram: Create a 'sequence diagram' to describe the flow of data between each step of the processes. This will allow you to determine which processes are impacted, and where the data will be going.

Mapping requirements: Prepare mapping requirements to provide your trading partners so they are able to determine what information will be exchanged.

Throughout this process, your EDI implementation team will also need to examine 'areas ofresistance'. These are generally areas where adoption might have a substantial impact on the existing processes, and where different levels of resistance to change may be experienced.

UNIT-5

RETAILING BUYING & MANAGING RETAIL OPERATIONS

Retail buying: Every time you enter a retail store, your shopping experience has been extensively planned, from the items you see for sale to the layout and design of the store. Many times these decisions are made by someone working in retail operations, or the area of retail concerned with the day-to-day functions of stores. Schools offering Retail Management degrees can also be found in these popular choices.

About Retail Operations

The field of retail operations concerns the work that individuals do to keep a retail store functioning. This includes both retail salespeople and managers in all types of retail stores, including small stores with only a handful of workers and large chain stores with hundreds of employees. If you're interested in a career in this field, remember that you'll probably need to have strong communication skills and the ability to handle difficult customers. If you're already working in the field and are interested in learning more or advancing, you can visit the website for the National Retail Federation, which provides education resources and retail advocacy information.

Goals & Objectives for Buyers:
Buyers, also called purchasing agents, typically work for retail and wholesale enterprises, where they focus on making the business profitable through procuring the right products at the right price, quality and time. They ensure the business understands the consumptions needs of its customers and deals with reliable and cost-effective suppliers. Buyers usually have an academic background in business or accounting. Although small businesses might hire individuals with a high school diploma, large firms require at least a bachelor's degree.

Identifying Needs

Understanding the needs of consumers helps businesses determine the kind or brand of products to stock. A buyer works to gather information about customers' preferences. For instance, he can interview customers to gather their views on a recently introduced cheese brand, or observe them while shopping to study their buying habits. If most customers purchase a specific product during weekends, the buyer ensures the business increases the stock levels of the product toward the end of the week to increase its availability.

Organizational Buying

Every profit-oriented firm is always interested in making sure that they do everything possible to maximize the profit from the particular venture they engage in. They, therefore, go an extra mile to evaluate some business processes and make informed decisions to ensure that they get the best deals.

This is essentially what organization buying revolves around. It is the process that formal institutions use in establishing the essence for making a purchase of products or services by identifying, assessing and selecting the ideal alternative to the available brands and suppliers.

In a typical organization, there are those people that are involved directly or indirectly in the organizational buying process. All these people are referred to as the buying centre. This centre is always different bearing in mind that it involves people with different and unique abilities and perspectives.

Ideally, it is also possible that not everyone is going to make the decisions revolving around organizational buying, but it should be noted that they can still be regarded as part of the purchasing process due to the influence that they could be having in the process.

The supplier must be able to produce quality products or offer quality service to the organization. Any compromise on the quality can adversely affect the organizational performance and subsequently causing undesirable business dealings.

Nevertheless, globalization has made it possible for many suppliers and brands to be able to produce some similar products that target a particular market. This is the reason why it is of great importance to ensure that a thorough research is carried out to help in making good organizational buying choices.

Organizational Buying depends on
1. Buying objectives
2. Buying structure, and
3. Purchase constraints.

1) Buying objectives in Organizational buying: Before making a purchasing decision, it is imperative to understand and evaluate the main reasons for doing so. Primarily, you need to determine the motive for buying that particular product. It is also necessary to ensure that you understand the effect of making that purchase and at the same time how the product will be beneficial to various operations of the organization.

The reliability of the supplier in ensuring that you get the product consistently throughout the year or duration that you need is also important because it shows that the firm will hardly encounter unnecessary inconveniences that would interrupt its production.

2) Buying structure in Organizational buying: Anyorganizational buying has to follow a particular structure that has been stipulated within the guiding principles of the firm. A protocol has to be followed accordingly to make sure that all the concerned parties are involved in making the decision. You have to ensure that all the relevant procedures have been followed when making such purchases. This will be helpful in ensuring that a correct decision was made way before undertaking the process of buying the particular product or service hence making it easy to make a follow up if there is a need for doing so.

There are also some manufacturers who prefer to deal with agents who help them in purchasing the products. In most cases, they prefer organizations to use these agents when in need of making transactions that are revolving around purchasing of products.

3) Purchase constraints in Organizational buying:

This is the other aspect that affects the process or organizational buying. Mostly, several elements are always considered before making any purchase for the organization. Some of these items may hinder the efficiency of buying the products and would subsequently require further intervention for it to be realized. For instance, inadequate finances or availability of the product at that particular time would be among some of the purchase constraints that are usually common.

Nonetheless, the government budgeting process is also a hindrance to the consumers who prefer making a purchase based on government funding because it may take longer than expected for funds to be approved.

Retailing buying behavior:

Retail customers have ever more demanding expectations of value, choice, availability and accessibility of products and services. Many of these changes are clear and well documented. The dexterity of customers, with access to e-commerce, social media and mobility enabling them to seek out the best deals, is forcing traditional bricks and mortar retailers on line in an attempt to compete with e-tailers with different margin and operational structures. The power of social media to make or break a brand is forcing retailers into communication strategies that are interactive and immediate, a far cry from the traditional communication approach retailers have been used to.

The other reality of the retail landscape is the current economic climate, which is creating consumers who are happy to wait for special deep discount promotions to make their purchases. However, all is not lost. The trick is in servicing consumers economically. As in all walks of life, the chances of making good economic decisions is directly proportional to the quantity and quality of 'intelligence' or data insights about the factors involved that are available to the decisionmaker.

In retail, inevitably, business intelligence starts with understanding the customer. Therefore, the most significant strategic decision is to ramp up data collection, analysis and use. Just as exceptionally strong corporate commitments to data have fuelled the success of the biggest retailers such as Wal-Mart and Tesco, these same principles apply to all retailers, whatever their size. The really good news is that as consumer behavior with retail brands is changing so is the availability of data that can drive meaningful insights and 'intelligence' that allow the brand to manage the customer engagement and experience. Retailers who can delight their customers across all contact points and occasions will build relationships that will deliver incremental revenues. The consumer behavioral trends of personalization, virtualization, mobility and interactivity are delivering customers who both want to be involved with brands and to be seen to be involved. This involvement may be as simple as 'liking' a brand on Face book. These trends are allowing for the collection of new data about customer engagement.

For some time retailers have been collecting demographic and transactional details about who the customer is and what, where, when and how much did they purchase, etc. Collection of demographic data is one of the major hurdles to entry for loyalty programmers due to lack of interest in filling out lengthy forms. One example of the way new customer habits are opening up improved data capture is just the simple ability to extract personal data information from a customer's Face book page or quickly through a mobile app after receiving authorization from the customer. The increased desire for involvement by customers is opening up opportunities to collect data around a customer's attitudes and interactions. Attitude data is information about a customer's preferences. Interaction data reflect the customer's offers, responses, likes, dislikes. The other information captures their non-transactional interactions. These new data sources are easiest to understand in an online retail world where we are used to recommendations being presented to us based upon products we have looked at but not bought.

One way of creating value from this increased understanding is simply a function of timing. Traditional customer relationship management programmers have been limited by the fact that the customer in physical retail is more often than not identified only at the end of their store visit. While in such a scenario the customer's next visit can be influenced through the analysis of data and targeted interaction, the opportunity to really delight a customer and offer a winning engagement experience is a little limited as the customer is leaving the store. In the online retail world, a customer is typically identified early on in the transaction, by logging in, which allows the understanding of the customer to be used to manage that engagement and drive greater sales. Pulling this capability into the physical world allows a seamless brand experience for the customer. For large format stores the technology can allow tracking of the customer's store footprint. This data can be used in conjunction with real-time communication of offers to a customer around the store presenting additional purchasing options. The changes to more sophisticated data analysis and insights can be distinguished easily by thinking of a very simple standard lapsed customer case. Traditionally, we have identified a target list of customers who have stopped visiting and made them an offer to entice them back. However, if we further analyze the target group utilizing a broad range of earlier data such as offer responses and likes and dislikes, it gives the chance to personalize the 'influence' to the specific customer. This increases the chance of success.

Models of buying behavior:

Understanding consumer behavior is one of the keys to establishing a successful business. While it is important to come up with a product or a service with exceptional quality, having a clear grasp of how your target consumers react or behave and what factors affect their buying patterns and behavior will enable you to address their needs and establish a more successful business.

Economic Model:

The economic model of consumer behavior focuses on the idea that a consumer’s buying pattern is based on the idea of getting the most benefits while minimizing costs. Thus, one can predict consumer behavior based on economic indicators such as the consumer’s purchasing power and the price of competitive products. For instance, a consumer will buy a similar product that is being offered at a lower price to maximize the benefits; an increase in a consumer’s purchasing power will allow him to increase the quantity of the products he is purchasing.

Learning Model:

This model is based on the idea that consumer behavior is governed by the need to satisfy basic and learned needs. Basic needs include food, clothing and shelter, while learned needs include fear and guilt. Thus, a consumer will have a tendency to buy things that will satisfy their needs and provide satisfaction. A hungry customer may pass up on buying a nice piece of jewelry to buy some food, but will later go back to purchase the jewelry once her hunger is satisfied.

Psychoanalytical Model:

The psychoanalytical model takes into consideration the fact that consumer behavior is influenced by both the conscious and the subconscious mind. The three levels of consciousness discussed by Sigmund Freud (id, ego and superego) all work to influence one’s buying decisions and behaviors. A hidden symbol in a company’s name or logo may have an effect on a person’s subconscious mind and may influence him to buy that product instead of a similar product from another company.

Sociological Model:

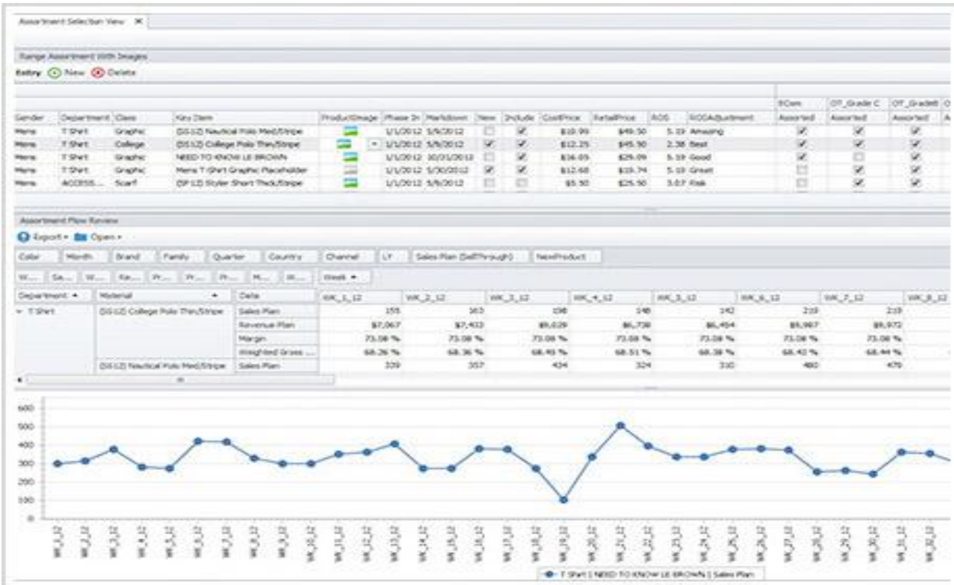
The sociological model primarily considers the idea that a consumer's buying pattern is based on his role and influence in the society. A consumer's behavior may also be influenced by the people she associates with and the culture that her society exhibits. For instance, a manager and an employee may have different buying behaviors given their respective roles in the company they work for, but if they live in the same community or attend the same church, they may buy products from the same company or brand.

MERCHANDISING & ASSORTMENT PLAN: **Assortment planning** is a process whereby products are selected and planned to maximize sales and profit for a specified period of time. The **assortment plan**considers the financial objectives and seasonality of **merchandise** to ensure proper receipt flow.Merchandise assortment planning software enables retailers to place the right products in the most effective locations in order to maximize sales and margins, while avoiding potential stock outs or over stock situations. The solution works by analyzing previous sales performance and building core product-line assortments in line with financial objectives, while taking into account factors such as seasonal and geographical variations and trends.

Merchandise assortment planning tools also give planners the ability to range assortments across store grades, using their knowledge of the business andthe buying personas of their customers, in order to optimize the inventory in each store and channel.

Why Do I Need a Merchandise Assortment Planning Solution: Retailers face the challenge of satisfying today's ever more unpredictable and demanding consumers who want and expect their favorite retailers to have exactly what they're looking for in stock and also a wide selection to choose from. This is becoming ever more complex with multiple shopping channels and consumers armed with mobile devices and more information than ever before.

Increasing emphasis on customer centricity has also affected retailers' ability to plan effective and profitable assortments. Point-of-sale data shows thatshopper preferences vary greatly from region to region and even at the store level.



As such, retailers must get their assortments planned correctly right from the start as they will drive the success of the business over the next months and seasons. That means finding the balance between the assortment’s width – the number of products within a category – and its depth, which is defined as the number of units for each one of those products. Failing to do so typically results in one of two problems: either the assortment is too narrow and doesn’t offer the range of products consumers expect, or the assortment is too broad. If it’s the latter, the retailer runs the risk of product obsolescence and paying the price in the form of markdowns.

So, retailers are challenged to plan their merchandise assortment so that it offers the right amount of the right products in the right stores and channels at the right time in order to meet customer demand and maximize sales and margins. This is no easy task given the number of sales channels and products and the need to localize assortments. Doing this without a proper merchandise assortment planning solution is taking a big risk.Although it is possible for individual departments within a store to manually plan their merchandising assortment, the cross-category optimization facilitated by merchandise assortment planning software avoids the cannibalization of other departments and results in optimized sales across a store in general.

Furthermore, merchandise assortment planning software allows retailers to make store clustering and localization decisions that will distinguish them from their competitors, increase profit margins and keep valuable customers loyal to their brand.

Choosing the Right Merchandise Assortment Planning Tool: One of the most important considerations when choosing a merchandise assortment planning solution is the software's integration with other departments - for example, buyers will want the selected range to be innovative and attractive to customers, while merchandisers will want the solution to achieve a high level of sales and margins.

Merchandise assortment planning tools should also be sufficiently versatile to allow buyers and merchandisers to measure the effectiveness of their ranges against original budgets, and make adjustments to the merchandising plans to meet the financial objectives defined during the financial planning process.By highlighting specific issues such as potential stockouts or over stock situations, the right merchandise assortment planning tools will direct users to either approve additional purchase orders or commence a markdown process so that an appropriate level of stock is always in the right place at the right time to meet product demand.

PROCESS OF MERCHANDISE PLANNING:

- **Store Clustering:** Enables planners to group stores based on combinations of plan, store attributes and past performance in order that they can more effectively align plans and assortments with the preferences of customers.
- **Assortment Framework**: Gives planners the opportunity to define the number of options they wish to include in their planning criteria to adjust the width and depth of department within the assortment.

- **Localized Assortments**: Provides additional versatility to adjust results from the merchandise assortment planning software to account for localized variations and to build out the assortment plan to allow for rollup and comparison to financial plans.
- **Item Planning/Item WSSI**: Allows retailers to use the data from the Weekly Sales and Stock Intake (WSSI) to make informed decisions about the trend of sales to plan. This feature is essential to avoid stockout or over stock situations.
- **Review Assortment Rollup**: Delivers results relating to purchasing, sales, revenues and margins for each product in the assortment. These results can then be aggregated in order to assess performance across product and location hierarchies

IMPLICATIONS OF MERCHANDISE PLANNING:

There are the seven major trends along with details on how those teams are impacted.

Trend #1: More and More Product

Customers are constantly demanding new, better and more personalized products on their schedule. This demanding marketplace makes accurate planning more important than ever. Retailers now have to offer larger assortments through multiple channels. Due to these additional complexities, line planning and inventory management are becoming a science that retailers must invest in order to excel. There is a tricky balance of not over-investing in inventory, but also not alienating customers or losing potential sales by being out of stock of a hot-selling product. This job is even further complicated by the need to plan by channel and even by location. Some of these products are carried across multiple platforms, while others are unique to only one. The different distribution options impact the amount of inventory that needs to be planned as well as the timing of product launches.

Trend #2: Continuous Innovation

Companies must plan to constantly release new updates and innovations in order to stay relevant. Retailers will lose repeat customers if they don’t see new options every time they enter a store, whether physically or virtually. The more often an assortment can be turned over and refreshed, the more loyal and frequent costumers will become. This new focus puts even more emphasis on planning inventory and line plans. Planners need to be able to extrapolate from product development and sales trend data to determine the product lifecycle, and help buyers define a calendar for update and innovation launches. Leading planners are leveraging predictive analytics to provide guidelines for how much inventory to buy and which styles will work based on past performance. It is commonplace now for successful trends from the previous season to be expanded into additional categories the next season, and it takes an informed planner to execute this appropriately.

Trend #3: Need for Speed

Just as important as having constant, innovative updates to assortment is the need to get the hottest trends into the line. As soon as a trend becomes popular, customers want it and expect it in stores immediately. The merchandise planner has to recognize these trends and predict the lifespan each one will have. Planners, just as much as the product development teams, have to be nimble in creating and updating their assortment strategies to account for the ever-changing desires of the customer. The planner must be the impetus behind getting these trends to market in order to optimize demand, which means they have to influence the product development and design teams on what to create. Having the proper systems and processes in place to facilitate quick and precise communication when new trends are emerging is key.

Trend #4: Value for the Money

The trickle-down effect of price-conscious consumers goes beyond product development teams to greatly impacting merchandise planners as well. This is further amplified as customers have been "trained" by the retail climate of the past several years to expect sales and discounts, and to never have to pay ticket value for an item. Planners must have intimate knowledge of the price points and promotions that have worked previously in order to maximize the sales and profitability they get out of their current and future assortments. The tighter the margins and price points get, the more crucial the planners' role becomes in the assortment strategy. The success of an assortment is dependent upon the execution of multiple teams, but the planner must drive the process and create the strategy for all others to follow.

Trend #5: Liberation of Design

Retailers have multiple avenues to get direct, constructive feedback from their customers. Social media allows consumers to create content and dictate the style and types of products they want to buy. Many retailers have developed an online presence to gather customer feedback, directly impacting what the company offers. Another way companies are meeting customer needs is by offering customizable options in order to keep up with the customers' ever-growing demand for individualism. One of the benefits of allowing customers to design their own products is that planners can analyze recurring orders and start to track trends. It is the planner's job to extrapolate meaningful data from customer feedback, apply it to future forecasts and communicate it to other functions to create alignment.

Trend #6: Sustainability and Social Responsibility

The emphasis on sustainability and social responsibility has a direct impact on merchandise planning teams. Some customers care strongly about what materials go into the products they buy; others care more about where and how the products are produced. Merchandise planners need to take these concerns into account and translate them into the overall assortment strategy. Whether the concern is at the vendor, material or product category level, the strategy the planner creates will act as the blueprint that cross-functional teams, like merchandising and sourcing, will use to manufacture, ship and sell the products across the world. Accuracy in these plans and communication of updates to the cross-functional partners are critical, and will become more important as companies and consumer preferences continue to go greener.

Trend #7: Customized Assortments

Today's shoppers expect retailers to not only differentiate themselves from the competition, but to also distinguish themselves between their own stores. Traditionally retailers recognized that consumers in Los Angeles do not always need or want the same thing as someone in New York City. Although geographical segmentation is still important, planners are now able to make decisions at a more detailed level from the data that the consumers themselves supply. Buyers must base their planning to be customer centric rather than product centric. This level of detail is more complicated to define and plan because a larger number of assortments and products have to be developed. Planners play a key role in leveraging data to help their functional partners understand key customer segments and determine what products are most appropriate for each.

RETAIL BUYING GROUPS: Procurement being one of the important functions of International Retailing industry, the Companies rely heavily upon their procurement strategies to drive their business. Accordingly the size and volume of buying as well as the strategy of the Company coupled with the size of the Company and its outlets have a bearing on the structure and functioning of Merchandizing department.

Generally we see three different types of structures of Buying Departments as followed in the Industry. Centralised Buying is often the strategy followed by medium and large size retailers with a sizable network of outlets. De-centralised buying structure is adapted by smaller retail Organisation s as well as MNC companies tend to follow the third structure which is the combination of Centralized as well as Localized procurement function.

Centralized Buying

Most large size retailers who own sizable number of outlets prefer to follow Centralized Buying strategy with the Buying department being located at the Head Office. This gives the chance for decision makers to be closely associated with buying function. Secondly centralization allows for consolidation of orders from the entire network and benefit from economies of scale.

Controlling and Managing Supplier relationship is easier when managed from one point of contact. Besides centralized procurement can have better control over supplier to ensure quality and timely supplies too. Centralized buying not only reduces operational cost but it allows the local outlets to concentrate on other matters pertaining to their local stores and customers than to chase the suppliers. When in case of international buying, there is no other effective way but to centralize procurements at Head Office.

However while Centralized purchasing does have its advantages, one cannot rule out the fact that it can turn insensitive to local store requirements on individual basis. Every store is likely to have a different set of product mix and customer behavior. The local stores may not be in a position to demand the specific merchandise and will have to make do with whatever is supplied by the Central Merchandising Team.

De-Centralized Buying

Decentralized Merchandising is effective when the number of outlet stores is limited and the volumes are negligible making it unviable to have centralized buying department. In such cases the local store managers often take on the function of buying locally. When they do not have huge volumes to procure items directly, they can approach buying groups like Spar, UniChem and others to benefit from consolidated buying as well as access to leading brands and varied product range.

Combined Buying Policy

Over a period of time large scale Retailers especially those who have national and international operations as well as follow a Multi-National style of Organization have found it beneficial to adapt a combined approach to procurement. Accordingly they have a centralized buying team that consolidates certain percentage of buying orders and volumes from the network and go ahead with procurement. Generally high priced items, items with huge volumes, high demand items and international procurements are managed by Centralized Buying teams. They also spearhead new product and branded product development activities for the Organization. The local outlets on the other hand are given the freedom to procure some of the identified items locally. Items that are locally available, low volume items are best procured locally. Such approach gives ample freedom and space for the local store managers to operate and develop their own flavor of products as well as develop customer loyalty.

Combination buying strategy works best in most cases for it gives economies of scale for centralized buying and at the same time provides opportunity to the local outlets to be tuned into the market, understand and anticipate customer needs and develop products locally to meet the demand.

Negotiations in retail: Negotiation in the purchasing process covers the period from when the first communication is made between the purchasing buyer and the supplier through to the final signing of the contract. Negotiation can be as simple as trying to obtain a discount on a case of safety gloves through to the complexities of major capital purchases.

A purchasing professional must aim to be successful in their negotiations with suppliers to obtain the best price with the best conditions for every item that is purchased.

Negotiation Objectives: Purchasing staff should enter all negotiations with clearly defined objectives. Without having objectives the possibility for the purchasing professional to concede on price, quality or service is significantly raised. The negotiator should enter into discussions with the vendor with precise objectives that they wish to achieve for their company.

The objective should not be absolute and should allow for some flexibility.

However, the negotiator should also ensure that they do not deviate from the objectives and allow themselves to negotiate on areas that were not part of the discussion. For example, a negotiator may have worked with the vendor on their objectives on price and service, but not quality. When the vendor starts to discuss quality, the negotiator should refrain from any agreement where they are without a set objective.

Contract in retail: A business-to-business retail contract, also commonly called a retail agreement, most often takes the form of a standard purchase contract. A business-to-consumer retail contract, however, can exist as a standard or instalment retail sale agreement. Regardless, businesses in most states must comply with state-mandated Uniform Commercial Code regulations, which require a retail contract to be included in the sale of goods valued at $500 or more when at least one of the parties fits the legal description of a merchant. A merchant, according to the UCC, is “any seller who regularly sells similar items or any buyer who regularly buys similar items.

B2B Retail Contracts: Business retail contracts often vary considerably from consumer contracts in the terms and conditions contract sections. For example, many include discount terms, such as a discount off the list price, straight discounts and all-unit discounts based on purchase quantities. Straight discounts are a percentage discount applying to items purchased above a standard minimum. All-unit discounts also have a minimum ordering quantity but differ from a standard discount in that once an order exceeds the minimum the discount applies to the entire order. In addition, clauses may allow the contract to be amended or revised in the event the retailer can’t move the items.

Consumer Retail Contracts: Consumer retail contracts are subject to federal and state consumer protection laws as well as UCC regulations. Consumer protection laws are built into the contract and, except when it comes to returning usable and non-defective merchandise, generally side with the customer. For example, consumer protection laws may regulate how a business must format a retail contract, regulate certain clauses, such as a payment acceleration clause or an anti-litigation clause for resolving disputes the contract may not contain, and must pass a reasonableness test with regard to pricing and terms of the contract. While a retailer doesn't have a legal obligation to allow the customer to return non-damaged items, contract terms must provide a window of time to cancel the retail contract and return certain items. While state laws that define these items may vary, they generally include cars, insurance policies and credit repair services.

Retail Installment Contracts: If the buyer is unable or unwilling to pay the entire purchase price at the time the goods are to be delivered, the parties may use what is known as a retail installment contract, in which the parties also will need to contemplate when installment payments will be due, the interest rate to be used, the duration of the agreement, the amount of the periodic payments, how late fees will be assessed, how the parties will handle cancellation of the agreement and whether a partial refund will be offered.

Uniform Commercial Code: Retail contracts between merchants may fall under a piece of law known as the Uniform Commercial Code, or UCC. The UCC holds that a person is a merchant if he regularly buys or sells similar items as a business owner for business purposes. Although there are many provisions of the UCC, one of the most important to consider is that all retail contracts for the sale of goods worth $500 or more must be put in writing.

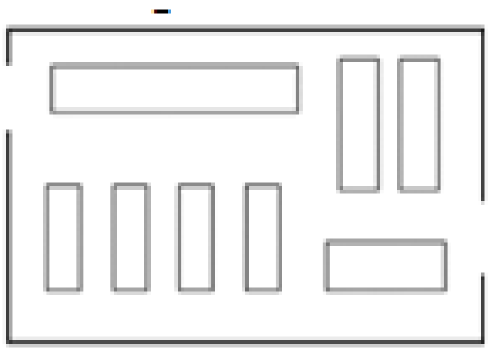
STORE LAYOUT: Whether you're just starting to design your store's floor plan, or if you're completely revamping your current store, you probably have all kinds of questions about the different types of retail floor layouts. We know there's a lot to think about, so we'll take you through some of the most common retail store floor plans and highlight the benefits of each one.

TYPES OF LAYOUT:

The types of layout are as follows:

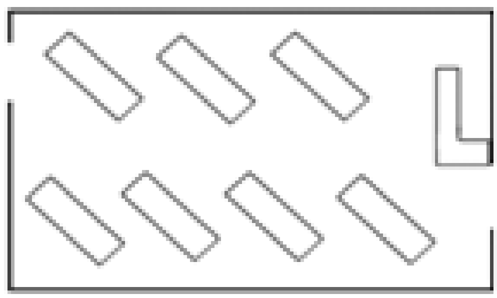
1. Straight Floor Plan

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.



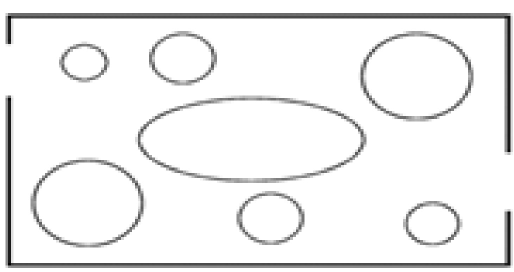
2. Diagonal Floor Plan

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.



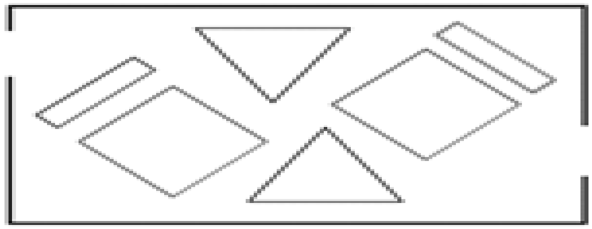
3. Angular Floor Plan

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.



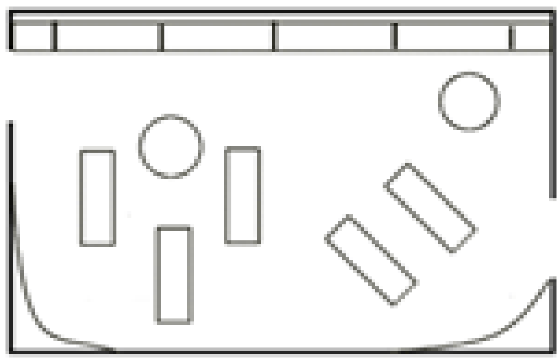
4. Geometric Floor Plan

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

STEPS FOR DESIGNING STORE LAYOUT:

Planning Your Store Layout: Step-by-Step Instructions

A good retail store layout starts on paper, where you work out building specs, customer traffic flow, product placement, and more, before ever installing a single display. Thoughtful planning lets you explore options and create a store layout that encourages customers to browse and buy.

We'll show you how to address each of these 8 factors throughout this guide. From floor plan option that encourages traffic flow to ideal product placement, we'll cover every aspect of your retail store layout. Plus we'll discuss important issues that affect your store planning, such as Americans with Disabilities Act (ADA) requirements and consumer behavior studies.

- Create an attractive, distinctive store that reflects the mission and values of your cooperative.
- Create a store layout that makes it easy for customers to shop and for co-op staff to work.
- Have a building that is structurally and mechanically durable, appropriate, and environmentally responsible.
- Make efficient use of space and project resources.

STORE DESIGN: Beyond just creating a good-looking store with aesthetically pleasing displays, retail store design is a well-thought-out strategy to set up a store in a certain way to optimize space and sales. The way a store is set up can help establish brand identity as well as serve a practical purpose, such as protecting against shoplifting.

Aspects of Retail Store Design:

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

Store Layouts:

Stores are usually laid out with new merchandise up front to entice shoppers into the store. According to a piece in the magazine "Inside Retailing," the front of the store also creates a sense of the store's identity with displays of trademark products. The article also suggests other tips for store designers -- for example, having a centrally located checkout counter stocked with accessories to encourage impulse purchases.

Aesthetic Branding:

Many stores take great pains to create a specific aesthetic with their catalogs, graphic design and their store mood. A strong example of this kind of aesthetic branding is the clothing retailer Anthropologies. Anthropologies' stores generally echo the style of its products. Just as its products feature quirky, rustic and artsy features, the Anthropologies stores use installations of old "found" pieces and rustic hardwood flooring to create a French flea-market kind of feel. Meanwhile, other retailers, such as the Apple store, use clean lines and simple gray and white furniture to emulate the look of its clean laptops. In this way these stores connect the look of their products with their stores.

Retail Design Work:

Store designers are either hired by a company or consult for several different boutiques. Some stores or retail chains also hire store design interns to create the displays from season to season. For many stores, these interns help lay out and build the designs implemented by the corporation. They may be given a look book from season to season and build similar-looking displays in their own store.

Other Purposes:

Beyond helping to establish a brand identity or help sales, store design can help curb shoplifting. The setup of specific stores can make sight lines more clear for store employees. If shoplifting is a concern, setting up a store with few blocked-off corners and easy-to-view spaces is one step toward reducing the incidence of shoplifting.

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MERCHANDISE DISPLAY- FIXTURES:

We offer retail displays and store fixtures for sale at wholesale prices, ranging from visual merchandising accessories and sign holders to gondola racks, register stands, and other commercial sales furniture. Everyday merchandising - product placement on shelves and racks, as well as specialty item features - impacts in-store sales in a definitive, measurable manner for retailers and service businesses alike. Our commercial-quality retail displays and store fixtures are in stock in a range of styles designed to accommodate a full range of merchandise and functions, from basic cash wraps and point of sale glass display cases to specialty merchandisers for sunglasses, clothing, impulse items, and more. Even the smallest retailer understands that every square foot of space, be it in a store or trade show booth, has the potential for increasing revenue in one way or another. Let Displays2go's 40-plus years of industry experience and our huge selection of shelving, racks, and sign holders help you make the most of your sales space

- Store Fixtures & Shelving - point of sale furniture, retail shelving systems & merchandise display fixtures.
- Merchandising Displays - free standing, countertop & wall-mounted stands, racks, risers, bins, and accessories.
- Retail Display Signage - digital and traditional sidewalk signs, indoor window displays, flags, advertising poster holders, pricing &labelling signage
- Checkout counters & register stands help determine in-store traffic flow simply by virtue of their size. Cash wraps provide space for staff to store supplies and accessories, as well as offering customers a secure location for payments and transactions.
- Glass counter display cases are the perfect complement to register stands as they combine product merchandising and transaction space. These point of purchase fixtures are available as single units and also as part of modular configurations. Store owners and department managers can create customer pathways and customize store layout simply by changing furniture arrangements as needed.
- Store shelving fixtures: Even the most detailed plan gram is basically useless unless customers have easy access to merchandise. Gondolas, racks, and shelf configurations not only determine traffic flow but also need to accommodate most, if not 100%, of the merchandise mix. Systems such as grid wall, slat wall, and pegboard are available, all with a variety of accessories to accommodate almost any type of merchandise or packaging.
- Display tables are feature elements that function as internal window dressing spaces in retail environments. Smaller than cash wrap showcases, these moveable stands for merchandise create an ideal focal point to attract customer attention to new, seasonal, or high ticket items.
- Many product lines require specialty merchandising furniture. Clothing racks, portable sales kiosks, rustic display fixtures, and eyeglass racks are some of the many styles available that help make items easily accessible to customers.
- Counter merchandise displays such as risers, spinners, easels, and bulk bins are easily matched to product sizes as well as store decor. From cheap blister pack rack hooks to lockable jewelry showcases to cheap cardboard countertop racks, these high visibility stands come in a variety of designs and configurations.

- Retail display signage is a key element for indoor, outdoor, and special event promotions and advertising. Signs can have a significant impact on both traffic flow and sales. Attention-grabbing banners and flags help attract potential buyers, while wayfinding signage, advertising posters and branded graphics direct and target customer traffic. Even the cheapest pricing labels can directly impact whether or not the customer journey ends with a sale.

MATERIALS AND FINISHES:

Interior Design Materials and finishes are those things that make up the finished design of a project. Choosing the right ones will mean the difference between an ordinary look and one that is unique and stylish. Some examples of Interior Design materials and finishes, and which are discussed in this article include...

- Painting Techniques and Finishes
- Floor Coverings
- Fabrics and Fibres

Chalkboard:

Chalkboard paint is a type of paint which dries to a finish resembling that of a chalkboard. Once chalkboard paint has been applied to a surface, it can be used just like a regular chalkboard. For people feeling creative this paint can also be made at home. One of the advantages of homemade chalkboard paint is that it allows people to create their own colours. With homemade chalkboard paint a layer of primer should be applied to the surface beforehand. For every 250 ml (approx) of paint, two tablespoons of powdered tile grout can be added before the mixture is thoroughly stirred and then applied.

Dry-Brushing:

Dry-Brushing is a painting technique in which a paint brush that is relatively dry, but still holds paint, is used. The resulting brush strokes have a characteristic scratchy or linear look that adds depth and texture to the wall surfaces in contrast to the more common smooth appearance that washes or blended paint commonly have. The technique is often used as part of a color layering decorative process and in model painting to apply highlights to miniatures.

Sponging:

Sponging adds the look of texture and depth to walls by dabbing or rolling a natural sea sponge to dab or roll onto the wall in a random pattern, leaving a thin coat of glaze on the surface of the under coat of paint. Always choose a base coat and glaze color that are close in tone as too much contrast will result in a splotchy, spotted look which you obviously will not want. Also don't forget to wear plastic or rubber gloves, as you'll get the glaze all over your hands. Tip: Use the corners of the sponge to gently dab the paint into the corners of the wall or ceiling.

GRAPHICS-EXTERIOR SIGNAGE, INTERIOR SIGNAGE

Outdoor signs and graphics are an expression of credibility, pride of ownership and operational stability. They serve the purpose of identifying the location of the business and reinforcing the corporate branding. Visible to pedestrians and drivers, they provide significant exposure to a wide range of audiences.

Outdoor signs are often installed on outside building walls for better visibility. A great application for outdoor signage is a printed awning. Custom awing are widely used by restaurants and retail stores and are usually mounted on the wall above the building entrance. Along with branding and eye-catching designs, awnings also have a practical purpose and can be designed in a variety of shapes, sizes and colors.

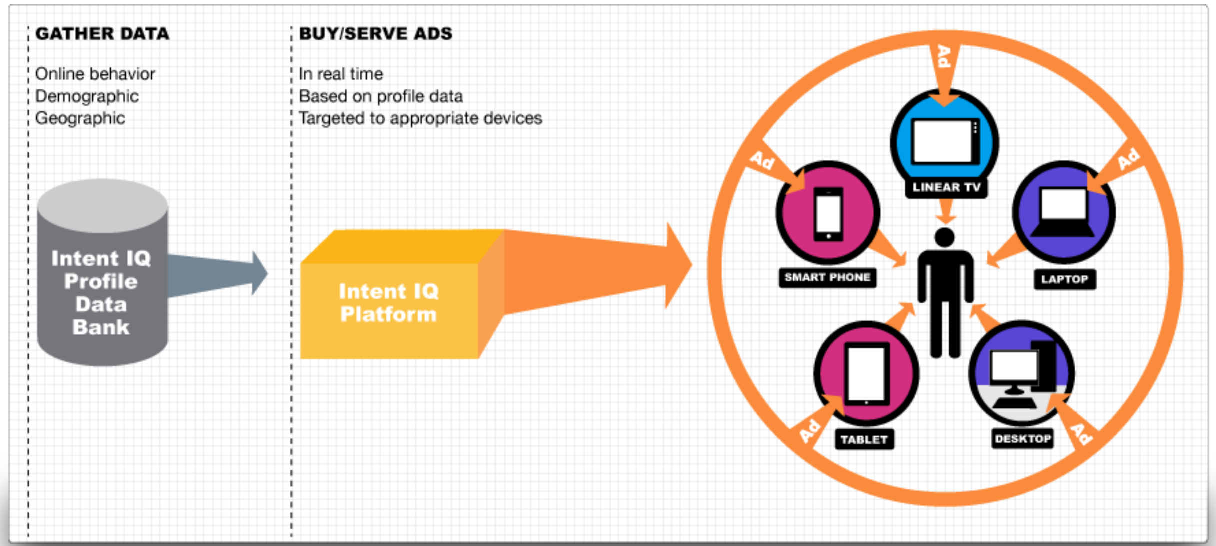
Another excellent example of outdoor signage is a post and panel sign using the latest printing technology, Signs Now can manufacture beautiful, professional-looking outdoor signage in a variety of sizes and colors that can help your business achieve any goal.

LAYOUT FOR E-TAILERS

E-tailing (less frequently: *entailing*) is the selling of retail goods on the Internet. Short for "electronic retailing," and used in Internet discussions as early as 1995, the term seems an almost inevitable addition to e-mail, e-trailer and e-commerce E-tailing is synonymous with business-to-consumer (B2C) transaction.

E-tailing began to work for some major corporations and smaller entrepreneurs as early as 1997 when Dell Computer reported multimillion dollar orders taken at its Web site. The success of Amazon.com hastened the arrival of Barnes and Noble's e-tail site. Concerns about secure order-taking receded. 1997 was also the year in which Auto-by-Tel reported that they had sold their millionth car over the Web, and CommerceNet/Nielsen Media reported that 10 million people had made purchases on the Web. Jupiter research predicted that e-tailing would grow to $37 billion by 2002.

E-tailing has resulted in the development of e-tailware -- software tools for creating online catalogs and managing the business connected with doing e-tailing. A new trend is the price comparison site that can quickly compare prices from a number of different e-tailers and link youto them.



- Integration is simple – generic pixel is all the E-tailer is asked to place on its site pages. All the heavy lifting is done by Intent IQ's cloud platform.

- Catalog of the advertiser's products and services – is automatically created by the Intent IQ platform that scans and analyzes the advertiser's site.

- Dynamic banner – incorporates on-the-fly catalogued products relevant to the ad viewer based on their profile. Profile data includes first party data such as researched products and conversion data, as well as third party data such as recent relevant searches on other sites aggregated by Datonics

- All screens are targeted – mobile, where research is heavily conducted, is targeted and retargeted both on mobile web and mobile apps; PCs and tablets, where conversions usually take place, are targeted and retargeted.

- Automatic ongoing optimization – on same and across devices for maximum ROI

Benefits:

- Advanced Targeting and Retargeting – Get the highest engagement and conversions while reaching your target audiences across all of their devices based upon your own data and valuable third party data

- Conversion Attribution Across Devices- Improve media-buying efficiency and ROI by leveraging proprietary conversion attribution technology that attributes a conversion on one screen to activity on any screen

- Dynamic Content Personalization- Tailor content/offers to your arriving site visitors based on their activity on all their screens

- Analytics – Digital Trail analysis across devices provides you with unique insights and actionable next steps to improve the relevancy of your offers and optimize media acquisition