Retail Management

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INSTITUTE OF
MANAGEMENT AND
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TECHNOLOGY

Retail Management

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SYLLABUS

Retail Management

Objectives: The objective of the course is;

- To familiarize students with retailing concepts, strategies, and problems

- To enhance student's capability to identify and analyze business environment and its opportunities and limitations , to set appropriate goals and to design the strategies to achieve those goals within the current situations

S. No.	Module
1.	Emergence of organized retail in India, Retailing - Role , Relevance and Trends, Retail organisation, Types of retailers, Retail Formats, Retail Consumer Behaviour, Retail Marketing mix., Retail Market Strategy, Technology in Retail
2.	Retail Location Decisions, Merchandise Planning, Managing Assortments , Store Management, Layout, Design, Space Management, Visual Merchandising , Retail Aesthetics , Retail Atmospherics, Retail Equity.
3.	Retail Communication Mix, Select io n of promotion mix, Retail sales promotion, Retail Pricing: Price Setting, Pricing Strategies, GMROI, Managing Retail Brands- Branding strategies in retail, brand equity , Retail brand extension, Creating brand value.

Books:

- Retailing Management , M ichae l Levy, Borton A Weitz, Ajay Pandit, Mc Graw Hill

- Retailing Environment and Operations , Andrew J. Newman and Peter Cullen, Cengage Leaming

- Retail Management A Strategic Approach, Barry Berman, Joel Evans , Mini Mathur ,Pearson

- Relail Management ,Suja Nair, Himalaya Publishing Home

MODULE 1

EMERGENCE OF ORGANISED RETAIL IN INDIA

As per the definition retail industry comprises of organized and unorganized sectors. Corporate retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing.

The self-organized sector is characterized by the lari-galla vendors (also known as "mobile supermarket") seen in every Indian by-lane and is, therefore, difficult to track, measure and analyse. But they do know their business – these lowest cost retailers can be found everywhere from village by-lanes to where big malls are situated. As far as location is concerned, these retailers have succeeded beyond all doubt. They have neither village nor city-wide ambitions nor plans – their aim is simply a long walk down the end of the next lane. This mode of "mobile retailers" is neither scalable nor viable over the longer term, but is certainly replicable all over India. Most retailing of fresh foods in India occurs in Mandis and roadside hawker parks. These are highly organized in their own way. If we put all these hawkers together, they almost measure up to a large supermarket. In India around 97%-98% of the retail industry is unorganized.

Organised retail has not penetrated and will not penetrate rural India for obvious reasons – it is just unviable. It is only the urban areas that organised retail is slowly but not steadily growing in.

The difference can also be seen in terms of kind of consumers they attract. The lower stratum represents people who are either daily-wagers or who work for the unorganised trade and industry; Their purchases are meagre and only the mom-and-pop stores will entertain them. Those belonging to the lower end of the middle – income group are generally employees of State/Central governments and the organised private sector. Not generally upwardly mobile, this group of employees has over a period of time perfected the art of living within their means and what is more, they end up saving a bit too. To these people too, organised retail makes little

sense since they cannot afford to pay cash down for their purchases. They buy from the mom-and- pop stores on credit during the month and settle the bill when they receive their salaries in the first week of the succeeding month. At best, the lower end of the middle-income group may patronise organised retail for purchase of vegetables because the vegetable vendor does not provide credit anyway.

Those belonging to the upper middle-income group and higher income group and living in cities have been increasingly patronising organised trade thanks to the latter's proliferation. That way speaking, they have traditionally stayed away from the mom-and-pop stores as far as possible.

Today people look for better quality product at cheap rate, better service, better ambience for shopping and better shopping experience. Organized retail promises to provide all these.

RETAILING- ROLE, RELEVANCE AND TRENDS

"Retail is a pretty simple business, but what adds complexity is the size and scale. We couldn't do it without technology."
- Bob Nardelli (American businessman)

In today's era, the places in the cities have become congested, infrastructure has changed, transport facilities have increased, and the speed of exchanging information has become extremely fast. Retailers are adopting new technology. Society is changing, consumers are changing and so are the retailers. Retailing has managed to keep itself paced with the changing times.

<u>Changing Nature of Retailing</u>

Retailers are changing their business formats, store designs, modes of communication with customers and ways of handling commercial dealings.

- Modern retailers are adapting new technology for marketing, retail operations, and business transactions.

- Forward-thinking retailers are using social media to communicate with the consumers.

- With the space crunch, modern retailers have learnt how to use every inch of the floor constructively.

- Apart from opening online retail store, the retailers take the help of **Augmented Reality** such as 3D mock-ups to let the customer try the products on themselves.

- Retailers are working progressively on delivery of orders that customers placed through online shopping.

- Retailers are bringing something new now and then to charm the customers. Those places where internet is still not accessible, retailers are exploiting the power of mobile phones to advertise their products.

Evolution of Retail Format

The format of a retailer is the overall appearance and feels that it presents to customers, primarily its look and layout, the sort of range it stocks and the approach taken to pricing. The format, together with range, pricing and marketing, is one of the key determinants of a retailer's success. Of these, the format is very often the hardest to get right. A good format will both draw in customers (generating footfall) and help present products well to generate sales. Because the format is so important, growth investors can often benefit by identifying smaller retailers who have recently developed formats that are good enough to provide a platform for sustained growth.

There are numerous types of retailers all over the world. From the small, independent grocery store to the highly sophisticated multi-level department store, the number of retailers is absolutely unlimited. In the business retailing, however,

the type of retailer is identified and classified on the basis of the "Store Format" that the respective retailer adopts.

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

- The nature of merchandise and service offered by the retailer.

- The pricing policy of the merchandise by the retailer

- The retailer's approach to advertising and promotional programmes

- The retailer's approach to the design of the store as well as to visual merchandising

- The choice of location preferred by the retailer for the above, and

- The size of the store.

   Deciding on a retail format is the most essential component of a retail strategy. While some of the most popular retailing formats adopted in organized retailing the world over are:

- Convenience stores

- Specialty stores

- Supermarkets

- Hyper markets

- Shopping malls

Time has changed radically since the house wife slipped her shopping bag over her arm and set out her daily food supply. The origins of retails are as old as traditional itself. Barter was the oldest form of trade. For centuries, most merchandise was sold in market places or by peddlers' medieval markets were dependent on local sources for supplies of perishable foods because journeys were for too slow to allow for long distance transportation. However, customers did travel considerable distances for specialty items. The peddler, who provided people with the basic goods and necessities that they could not be self-sufficient in, followed one of the earliest forms of retails trade. Even in prehistoric times,

the peddler travelled long distances to bring products to locations, which were in short supply. They could be termed as the early entrepreneur and who saw the opportunity in serving the needs of the consumers at a profit. In most parts of the world, a flea market-typically a place where vendors come to sell their goods-could be the earliest forms of retail congregations.

Non-store Retailing

- It is another type of retail marketing. Different types of non-store retailing are given below:

Direct Selling

- Direct selling which started centuries ago with itinerant peddlers has burgeoned into a $9

- billion industry, with over 600 companies selling door to door, office to office, or at home sales parties. A variant of direct selling is called multilevel marketing, whereby companies such as Amway recruit independent businesspeople who act as distributors for their products, who in turn recruit and sell to sub distributors, who eventually recruit others to sell their products, usually in customer homes.

Direct Marketing

Direct marketing has its roots in mail-order marketing but today includes reaching people in other ways than visiting their homes or offices, including telemarketing, television direct response marketing, and electronic shopping.

- **Automatic Vending**

Automatic vending has been applied to a considerable variety of merchandise, including impulse goods with high convenience value (cigarettes, soft drinks, candy, newspaper, hot beverages) and other products (hosiery, cosmetics, food snacks, hot soups and food, paperbacks, record albums, film, T-shirts, insurance policies, and even fishing worms).

RETAILING FORMATS

INTRODUCTION

The term Retail Format refers to the basic structure of a retail business conceived, designed, and developed to cater to the needs of the end customer.

Retail formats 'come in a whole variety of shapes and sizes. These can be quite different in terms of the ownership of retail business itself, the characteristics of the premises used and the orientation of the product range.

Some types of formats have been in existence with us for over a century, while new kinds of retail formats are fast emerging and developing, offering the customer a constantly evolving choice of shopping arena, which embraces an enormously wide range of businesses.

CLASSIFICATION OF RETAIL FORMATS

Retail formats can be classified as below:

- Traditional Retail Formats vs. Modern Retail Formats
- Store Based Retail Formats vs. Non Store Based Formats

TRADITIONAL RETAIL FORMATS

Includes the following formats, which are quite familiar to all of us.

- Kiranas and Independent stores, the traditional mom and pop stores
- Kiosks
- Street Markets

Traditional retail formats have long been part of the retail landscape of India. The above mentioned formats are typical of the unorganized retail sector across product categories.

Independent and kirana stores have emerged with the spread and density of population.

Historically, they are traced to the generation of surplus agriculture that needed to be sold to obtain other essential commodities by the producer. These are family - owned stores represent the retail business in India. These are usually shops with a very small area, stocking a very limited range of products varying from region to region according to the prevailing needs and demands of the customers. About 78%

of such retail stores are small family-owned businesses utilizing only household labour. The retailer offers credit facilities depending on the size of the business and seeming credibility of his customer. These are low cost structures, mostly owner operated, have minimal or no real estate and labour costs and little or negligible taxes to pay.

Kiosks, are those category of low lost small time retailers like tea stalls, snack centers, barber shops, pushcart and Mobile vendors.

Street markets are a common sight in every location big or small catering to all including the

floating public. Convenience and location are the major factors for their popularity.

MODERN RETAIL FORMATS

You would-agree and also appreciate that modern retail formats and store based formats are one and the same. Each of these stores have an entity of its own to cater to. You may kindly note that unit: 21 of this course is completely devoted to the non-store formats in retailing. Model retail formats include the following:

- Department Stores
- Variety Stores
- Supermarkets/Hypermarkets
- Convenience Stores
- Discount Stores
- Catalog Shops
- Factory Outlets
- Company Owned Company Operated.

Department Stores

These are the oldest form of large store concept.

Traditionally offers a collection of personal and home furnishings goods under one roof to an increasingly demanding middle-class customers.

It is a multi-level store format usually between 2-5 stories which are segmented into clearly defined areas according to the product category.

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Variety Stores

Basically an American concept a tried and tested formula now slowly started picking up in India too. This format offer a large variety of goods under one roof, including both food and non-food items.

The variety store differ from departmental store in the following aspects:

Product Range

Prudent range is wide and include clothing food, home furnishings.

High proportion of own-branded product.

Not much choice in product categories.

Store Environment

- Basic format
- Uncultured
- Clearly laid out
- Usually over one or two floors
- Straight forward approach to product display
- Self Service

Prices
- Medium to low
- Value driver

Supermarkets/Hypermarkets

A highly successful retail format imported from USA in the middle of twentieth century. The success is attributed for the advantage of offering self service, and therefore a much faster method of shopping, especially for those shoppers for whom time is scarce commodity. In addition, the space and labour saving factors allowed retailers to offer a wider choice of products at lower prices.

- The major benefits of this retail format are:
- allows the customer to get involved with the product,
- the ability to peruse the product offering,
- try new products and impulse purchase,

- appeals to the increasingly rich.

In view of the above advantages both for the marketer and the buyer, the supermarket concept was quickly adopted as a principal method for acquiring everyday goods. Supermarkets now play dominant role in the retail industry. These supermarkets have further grown into superstores offering more and more products, adapting to change in lifestyle to provide the most convenient way to shop for household goods for the bulk of households.

Supermarkets, superstores and hypermarkets can be considered in the same family of retail format.

Convenience Stores

The criteria applied to this store based format is :

- Self service
- 1000-3000 sq. ft selling area
- Parking facilities,
- Open 7 days a week for long hours
- Wide range of products, with limited brand choice
- OTC medicines
- Toiletries etc

In India, such long hours convenient stores are found at fuel stations which are and managed by the respective leading oil marketing companies. Other possible areas are bus terminals, airport lounge, and highways and host of other locations.

Discount Stores

As the name suggests that this retail format's key characteristic is the price of the merchandise offered by the store, which is subject to individual customer perceptions. By and large a discount store is a retailer that sells merchandise at a price level that is lower than the `typical high-street stores'. It is customary that the discounter uses an everyday low pricing policy.

Catalog Shops

These retail formats are fast emerging in the Indian scenario. specifically by the major importers of furniture who resell the product locally. These are sometimes referred to as catalog showrooms.

The basic design is that a very little product is displayed in the outlet in comparison to the range as a whole, but informative catalogs are available for customers to browse through if they wish to. Having decided the product the payment is made and the customer waits for a while for till the desired product is retrieved from the warehouse which is attached to the showroom or store front.

The major demerit of this format is in terms of product interaction and display, because of the dependence on the catalog for decision making.

Factory Outlets

To a large extent this format is similar to that of a discount store. The outlet offer customers a range of seconds-quality/or previous season's stock. The major advantage is that it helps the manufacturer to dispose off unwanted merchandise without damaging the image of the main product or retail brand, which otherwise occupies large storage place with funds locked in for a long time. From the customers perspective they have an advantage to access certain brands which might not normally be able to afford the brands. These outlets are a common sight either next to the factory premise, and now a days you can see them in dozens on the outskirts of major cities and towns

Company Owned Company Operated

These retail outlets are scattered across the length and breath of the country Bata, outlets are a classic example and also some of the government controlled textiles showrooms, state emporia and similar such retail outlets of different product categories.

TYPES OF CHAIN STORES IN CONTEXT THE INDIAN CONTEXT

Besides, franchising the other major retailing format that became popular in the Indian context is the multiples, which are better known as "Chain Stores" .There were about 1800 chain stores in the year 2002, which are now growing in leaps and bounds.

These chains are predominant with respect to some important product categories such as:

Food

Health and Beauty Products

Clothing and Footwear

Home furniture and Household goods

Durable Goods

Leisure and Personal goods

Food Chain

If you closely observe there are a variety of retailers operating in the food retailing sector This is true considering the enormous size of the market for food. However, traditional types of retailers, who operate small single outlet businesses mainly using family labour, dominate this sector. In comparision, supermarkets account for a minuscule proporation of food sales. This is for the simple reason that these outlets have a strong competitive strengths which include low operating costs and overheads, low margins, proximity to customers, long opening hours, and additional services to customers (home delivery).

Nevertheless, supermarkets sales also expanded at a much higher rate than other retailers. This is because of increasing number of higher income Indians prefer to shop at supermarkets because of convenience, higher standards of hygiene and the enticing ambience.

Health and Beauty Products Chain

With rise in income and the urge to look good and maintain sound health made Indians spend a considerable amount on health and beauty products. As in case of other retailing sectors, small single-outlet retailers also dominate sales of health and beauty products. However, in the recent past a good number of retail chains specializing in health and beauty products have sprung up. Currently they account

for a reasonably good share of sales of these products. However, as Indians spend more on such products in future, their business will undoubtedly expand substantially and grow exponentially with more scope for new entry of such chains.

Clothing and Footwear Chain

There is no city in India, where you do not find a clothing and footwear outlet. These outlets are omnipresent particularly in shopping centers and markets. You generally find a mix of traditional and modern stores. Traditional outlets are characterized by size and cramped with little emphasis on attractive displays. These outlets basically stock a limited range of cheap and popular items. In contrast, modern stores are spacious with sample products attractively displayed in windows, sometime with mannequins. Similar to food retailing, there are also innumerable number of retail outlets selling clothing and footwear in makeshift stalls or on pavements. The rock-bottom prices offered by these category of sellers which are much lower than the prices offered by branded products make them attractive to large number pf customers.

Home Furniture and Household Goods Chain

The home furniture and household goods retailing sector in India is predominantly

belong to the small retailers from the unorganized sector. Despite the large size ´of this market very few modern and large retailers have established specialized stores for these products. Looking at the increase in income levels and the changing life styles of consumers there is a considerable potential for the entry of specialized retail chains and it is likely that this possible in the next couple of years.

It may be noted that at present a few leading brands are imported and sold in the Indian market.

Durable Goods Chain

We have witnessed a large number of foreign consumer durable companies into the Indian market during the 1990s.Thank, to the governments decision of inviting foreign investment and import policies. This move has transformed this sector dramatically. A much wider variety of consumer electronic items and household appliances became available to the Indian consumer. Competition among companies

to sell their brands provided a strong impetus to the growth for retailers operating in this sector.

Leisure and Personal Goods Chain

A sharp rise in household income due to economic growth spurred consumer expenditure on leisure and personal goods in India. It is very common to see specialized retailers for each category of products in this sector. A few retail chains has emerged particularly in the retailing of books and music products in almost all the metro cities and other major cities and towns in the Indian scenario.

SUMMARY

I have introduced you to the various kinds of retail formats in the Indian scenario, which include both traditional and modem retail formats, on one hand and store-based and non-storebased on the other. We have also covered each of these formats and their characteristics particularly in the store-based category. However the non-store based formats are covered in unit 21 of this course. We have also dealt with the emerging retail chains of specific product categories in the Indian context.

RETAIL CONSUMER BEHAVIOR

"Whether it is stocks or socks, I like buying quality merchandise when it is marked down."

- Warren Buffet (American business magnate)

Understanding retail consumer deals with understanding their buying behavior in retail stores. Understanding the consumer is important to know who buys what, when, and how. It is also important to know how to evaluate consumer's response to sales promotion. It is very vital to understand the consumer in the retail sector for the survival and prosperity of the business.

Consumer versus Customer

A **consumer** is a user of a product or a service whereas a **customer** is a buyer of the product or service. The customer decides what to buy and executes the deal of purchasing by paying and availing the product or service. The consumer uses the product or service for oneself.

For example, the customer of a pet food is not the consumer of the same. Also, if a mother in a supermarket is buying *Nestlé Milo* for her toddler son then she is a customer and her son is a consumer.

Identifying a Customer

It is sometimes difficult to understand who is actually a decision maker while purchasing when a customer enters the shop accompanying someone else. Thus everyone who enters the shop is considered as a customer. Still, it is necessary to identify composition and origin of the customers.

- **Composition of Customers:** It includes customers of various gender, age, economic and educational status, religion, nationality, and occupation.

- **Origin of Customer:** From where the customer comes to shop, how much the customer travels to reach the shop, and which type of area the customer lives in.

- **Objective of Customer:** Shopping or Buying? Shopping is visiting the shops with the intention of looking for new products and may or may not necessarily include buying. Buying means actually purchasing a product. What does the customer's body language depict?

Customer's Buying Behavior Patterns

The needs, tastes, and preferences of the consumer for whom the products are purchased drives the buying behavior of the customer. The pattern of customer's buying behavior can be **categorized** as:

Place of Purchase

Customers divide their place of purchase. Even if all the products they want are available at a shop, they prefer to visit various shops and compare them in terms of prices. When the customers have a choice of which shop to buy from, their loyalty does not remain permanent to a single shop.

Study of customer's place of purchase is important for selection of location, keeping appropriate merchandise, and selecting a distributor in close proximity.

Product Purchased

It pertains to what items and how many units of items the customer purchases. The customer purchases a product depending upon the following:

- Availability/Shortage of product
- Requirement/Choice of product
- Perishability of product
- Storage requirements
- Purchasing power of oneself

This category is important for producers, distributors, and retailers. Say, soaps, toothbrushes, potatoes, and apples are purchased by a large group of customers irrespective of their demographics but live lobsters, French grapes, avocadoes, baked beans, or beef are purchased by only a small number of customers with strong regional demarcation.

Similarly, the customers rarely purchase a single potato or a banana, like more than two watermelons at a time.

Time and Frequency of Purchase

Retailers need to keep their working time tuned with customer's availability. The time of purchase is influenced by:

- Weather
- Season
- Location of customer

The frequency of purchase mainly depends on the following factors:

- Type of commodity
- Degree of necessity involved
- Lifestyle of customers
- Festivals and customs
- Influence of the person accompanying the customer.

For example, Indian family man from intermediate income group would purchase a car not more than two times in his lifetime whereas a same-class customer from US may buy it more frequently. A tennis player would buy required stuff more frequently than a student learning tennis at a school.

Method of Purchase

It is the way a customer purchases. It involves factors such as:

- Is the customer purchasing alone or is accompanied by someone?

- How does the customer pay: by cash or by credit?

- What is the mode of travel for the customer?

Response to Sales Promotion Methods

The more the customer visits a retail shop, the more (s)he is exposed to the sales promotion methods. The use of sales promotional devices increases the number of shop visitors-turned-impulsive buyers.

The promotional methods include:

- **Displays:** Consumer products are packaged and displayed with aesthetics while on display. Shape, size, color, and decoration create appeal.

- **Demonstrations:** Consumers are influenced by giving away sample product or by showing how to use the product and its benefits.

- **Special pricing:** Unit's special price under some scheme or during festive season, coupons, contests, prizes, etc.

- **Sales talks:** It is verbal or printed advertisement conducted by the salesperson in the shop.

An urban customer, due to fast paced life would select easy-to-cook or ready-to-eat food over raw food material as compared to rural counterpart who comes from laid-back lifestyle and self-sufficiency in food items grown on farm.

It is found that the couples buy more items in a single transaction than a man or a woman shopping alone. Customers devote time for analyzing alternative products or services. Customers purchase required and perishable products quickly but when it comes to investing in consumer durables, (s)he tries to gather more information about the product.

Factors Influencing Retail Consumer

Understanding consumer behavior is critical for a retail business in order to create and develop effective marketing strategies and employ four Ps of marketing mix (Product, Price, Place, and Promotion) to generate high revenue in the long run.

Here are some factors which directly influence consumer buying behavior:

Market Conditions/Recession

In a well-performing market, customers don't mind spending on comfort and luxuries. In contrast, during an economic crisis they tend to prioritize their requirements from basic needs to luxuries, in that order and focus only on what is absolutely essential to survive.

Cultural Background

Every child (a would-be-customer) acquires a personality, thought process, and attitude while growing up by learning, observing, and forming opinions, likes, and dislikes from its surrounding. Buying behavior differs in people depending on the various cultures they are brought up in and different demographics they come from.

Housewife   Student   Farmer   IT Professional
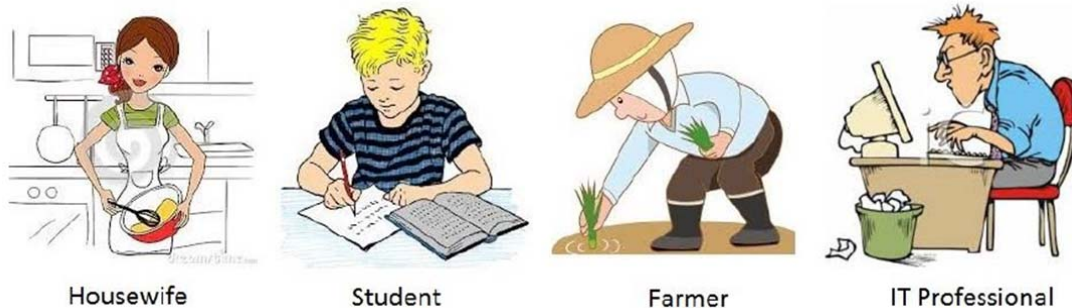
Social Status

Social status is nothing but a position of the customer in the society. Generally, people form groups while interacting with each other for the satisfaction of their social needs.

These groups have prominent effects on the buying behavior. When customers buy with family members or friends, the chances are more that their choice is altered or biased under peer pressure for the purpose of trying something new. Dominating people in the family can alter the choice or decision making of a submissive customer.

Income Levels

Consumers with high income has high self-respect and expects everything best when it comes to buying products or availing services. Consumers of this class don't generally think twice on cost if he is buying a good quality product.

On the other hand, low-income group consumers would prefer a low-cost substitute of the same product. For example, a professional earning handsome pay package would not hesitate to buy an iPhone6 but a taxi driver in India would buy a low-cost mobile.

Personal Elements

Here is how the personal elements change buying behavior:

Gender: Men and women differ in their perspective, objective, and habits while deciding what to buy and actually buying it. Researchers at Wharton's Jay H. Baker Retail Initiative and the Verde Group, studied men and women on shopping and found that men buy, while women shop. Women have an emotional attachment to shopping and for men it is a mission. Hence, men shop fast and women stay in the shop for a longer time. Men make faster decisions, women prefer to look for better deals even if they have decided on buying a particular product.

Wise retail managers set their marketing policies such that the four Ps are appealing to both the genders.

- Age: People belonging to different ages or stages of life cycles make different purchase decisions.

- Occupation: The occupational status changes the requirement of the products or services. For example, a person working as a small-scale farmer may not require a high-priced electronic gadget but an IT professional would need it.

- Lifestyle: Customers of different lifestyles choose different products within the same culture.

- Nature: Customers with high personal awareness, confidence, adaptability, and dominance are too choosy and take time while selecting a product but are quick in making a buying decision.
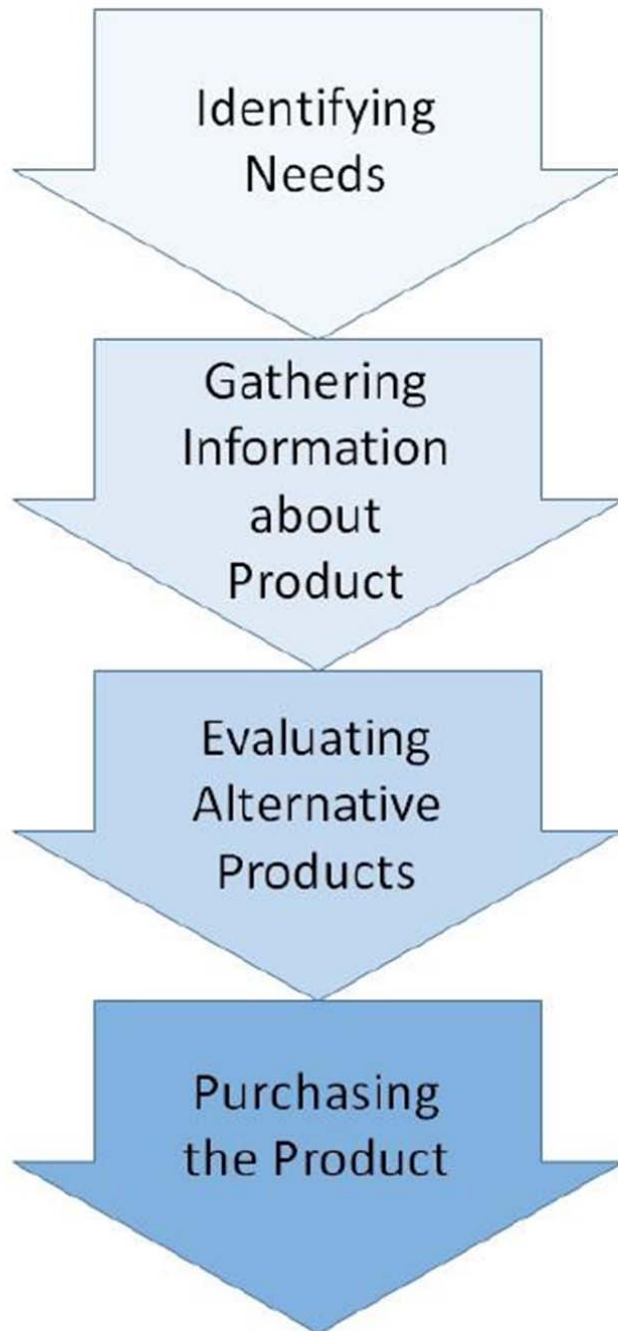
Psychological Elements

Psychological factors are a major influence in customer's buying behavior. Some of them are:

- Motivation: Customers often make purchase decisions by particular motives

- such as natural force of hunger, thirst, need of safety, to name a few.

- **Perception:** Customers form different perceptions about various products or services of the same category after using it. Hence perceptions of customer leads to biased buying decisions.

- **Learning:** Customers learn about new products or services in the market from various resources such as peers, advertisements, and Internet. Hence, learning largely affects their buying decisions. For example, today's IT-age customer finds out the difference between two products' specifications, costs, durability, expected life, looks, etc., and then decides which one to buy.

- **Beliefs and Attitudes:** Beliefs and attitudes are important drivers of customer's buying decision.

Consumer's Decision Making Process

A customer goes through a number of stages as shown in the following figure before actually deciding to buy the product.

However, customers get to know about a product from each other. Smart retail managers therefore insist on recording customers' feedback upon using the product. They can use this information while interacting with the manufacturer on how to upgrade the product.

Identifying
Needs

Gathering
Information
about
Product

Evaluating
Alternative
Products

Purchasing
the Product

- Identifying one's need is the stimulating factor in buying decision. Here, the customer recognizes his need of buying a product. As far as satisfying a basic need such as hunger, thirst goes, the customer tends to decide quickly. But this step is important when the customer is buying consumer durables.

- In the next step, the customer tries to find out as much information as he can about the product.

- Further, the customer tries to seek the alternative products.

- Then, the customer selects the best product available as per choice and budget, and decides to buy the same.

RETAIL MARKET SEGMENTATION & STRATEGIES

"Market segmentation is the natural result of vast differences among people."
- Donald Norman (Director, The Design Lab)

Market segmentation gives a clear understanding of the retail customers' requirements. With the clear understanding of market segmentation, the retail managers and marketing personnel can develop strategies to reach out to the customers with specific needs and preferences.

What is a Market Segmentation?

It is a process by which the customers are divided into identifiable groups based on their product or service requirements. Market segmentation is very useful for the marketing force of the retail organization to create a custom marketing mix for specific groups.

For example, Venus is in the business of retailing organic vegetables. She would prefer to invest her money for advertising to reach out to working and health conscious people who have monthly income of more than say, $10,000.

Market segmentation can also be conducted based on customer's gender, age, religion, nationality, culture, profession, and preferences.

Types of Retail Markets

There are two types of retails: Organized Retail and Unorganized Retail.

Organized Retail

Organized Retailing is a large retail chain of shops run with up-to-date technology, accounting transparency, supply chain management, and distribution systems.

Unorganized Retail

Unorganized Retailing is nothing but a small retail business conducted by an owner or a caretaker of the shop with no technological and accounting aids.

The following table highlights the points that differentiate organized retail from unorganized retail:

Parameter	Organized Retail	Unorganized Retail
Scale of Operations	Large	Small
Scope of Operations	Nationwide, Worldwide	Local
Employees	Professional, skilled, and trained	Unprofessional

Number of Stores	Chain of multiple stores	Maximum 2-3 outlets of the same owner within a city or across nearby cities
Ambience of Store	Pleasant, attractive	Lack of good ambience
Range of Products	Wide range of products across the nations	Only a range of local products
Shopping experience	Excellent, memorable, engaging	Average
Bargaining	Not possible. Pricing doesn't depend on relationship	Possible. Pricing varies according to personal rapport
Source of merchandise	Directly from manufacturer/producer	Mostly from wholesaler
Convenience of choosing products	Very high. Customer can walk around and choose the product	Very less
Examples	Walmart, HyperCity, Big Bazar	Standalone shops

What is Retail Strategy?

It is a plan designed by a retail organization on how the business intends to offer its products and services to the customers. There can be various strategies such as merchandise strategy, own-brand strategy, promotion strategy, to name a few.

A retail strategy includes identification of the following:

- The retailer's target market.

- Retail format the retailer works out to satisfy the target market's needs.

- Sustainable competitive advantage.

Strategies for Effective Market Segmentation

For effective market segmentation, the following two strategies are used by the marketing force of the organization:

Concentration (Niche) Strategy

Under this strategy, an organization focuses going after large share of only one or very few segment(s). This strategy provides a differential advantage over competing organizations which are not solely concentrating on one segment.

For example, Toyota employs this strategy by offering various models under hybrid vehicles market.

Multi-segment Strategy

Under this strategy, an organization focuses its marketing efforts on two or more distinct market segments.

For example, Johnson and Johnson offers healthcare products in the range of baby care, skin care, nutritionals, and vision care products segmented for the customers of all ages.

Strategies for Market Penetration

Market penetration strategies include the following:

Price Penetration

It is setting the price of the product or service lesser than that of the competitor's product or service. Due to decreased cost, volume may increase which can help to maintain a decent level of profit.

Aggressive Promotion

Increasing product or service promotion on TV, print media, radio channels, e-mails, pulls the customers and drives them to view and avail the product or service. By offering discounts, various buying schemes along with the added benefits can be useful in high market penetration.

High Product Distribution

By distributing the product or service up to the level of saturation helps penetration of market in a better way. For example, Coca Cola has a very high distribution and is available everywhere from small shops to hypermarkets.

Growth Strategies

If a retail organization conducts **SWOT Analysis** (Strength, Weakness, Opportunity, Threat) before considering growth strategies, it is helpful for analyzing the organization's current strategy and planning the growth strategy.

Ansoff's Matrix

An American planning expert named Igor Ansoff developed a strategic planning tool that presents four alternative growth strategies. On one dimension there are products and on the other is markets.
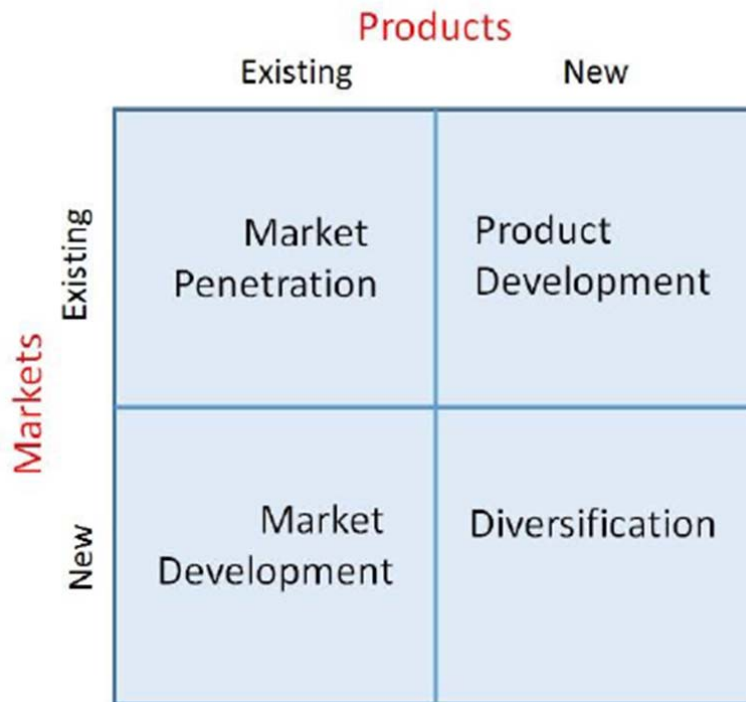
This matrix provides strategies for market growth. Here is the sequence of these strategies:

- Market Penetration: Company focuses on selling the existing products or services in the existing market for higher market share.

- Market Development: Company focuses on selling existing products or services to new markets or market segments.

- Product Development: Company works on innovations in existing products or developing new products for the existing market.

- Diversification: Company works on developing new products or services for new markets.

TECHNOLOGY IN RETAIL

INTRODUCTION

Technology is like a catalyst. It enhances the efficiency of any activity or process where it is applied in the correct manner. Technology has had a strong presence in business from times untold. The magnitude of advancement has been different in different places. At one point of time telephone and television were considered to be frontiers of technology. Even now in distant villages in India long distance telephony is a technological miracle. Business efficiency and the smoothness of transactions are the key outcomes of technological efficiency.

NEED FOR TECHNOLOGY

During olden days the neighbourhood retailer used to know his customers along with his family members by their first name. The contact was very personal and frequent. Thus the retailer was like a member of the family. Besides this the number of alternatives available in each product was minimal. Thus selection was not a problem. Most importantly with a limited range of products and number of brands a customer never felt like personally exploring the possibilities for a better product/brand or may be a better bargain .

In the present day with numerous products to satisfy specific need and numerous brands in each category the scenario is different. To top it the number of customers as well as retailers has increased manifold. Thus the personal relationship and interaction led shop loyalty has been replaced with sales promotion schemes, and purchase scheme lead loyalty. In this backdrop business processes as well as store management have become more challenging and complex. With such complexities backed with scarcity of time, it becomes important to implement some mechanism. Any such mechanism should not only save time but should also be accurate. Here comes the role of technology.

APPLICATION OF TECHNOLOGY IN VARIOUS AREAS OF RETAILING

Technology can be applied or rather is being applied to different departments of retailing. It will be good if we study the departments one by one and then see the technology application.

1) Merchandising

a) **Sourcing:** We can divide various functions under this broad head. First of all we take sourcing of merchandise. Sourcing includes deciding about the depth to be maintained in each category to the number of categories to be maintained. It also includes short listing and selecting of vendors and planning orders.

b) A retailer needs to gather information about various categories in vogue in the market. He needs to keep a tab on latest trends in this context. Nowadays retailers collect their own stores purchase data to study the buying trends. He is also collecting data through the internet similarly vendors can be short listed. Various vendor databases can be used to find suitable merchandise suppliers. Availability of goods can be ascertained and order placed through the internet

c) **Stocking/warehousing:** Here the technological element is maintaining data of the stocks received. Necessary changes are made on a regular basis as per the consumption at the store. A retailer decides upon the reordering level based on consumption and delivery lead time. Thus once the stocks reach that level an intimation, automatically goes to the purchase department. Technological contribution has come to such a level here that if the retailer has a long term contact with the vendor then the order can also be directly placed to him automatically once the stocks reach the reordering level. This is possible through ERP programme.

Marketing and Customer Relationship Management

Every store would like to promote itself. They have been employing all novel methods to ensure an enhanced footfall into the store. Most importantly every retailer strives to have a number of loyal customers. Such customers not only remain loyal to the store but also tend to influence their peers store selection towards the specific store. Nowadays all the big retail stores use available softwares to store data about customers and their purchases. This is then classified to find the most valuable customers, frequently visiting customers, most highly demanded categories, colours and varieties. Earlier bin cards or store purchase cards were used for this purpose. With technology coming in now data mining is the latest to be used in this regard.

Retail stores are also offering loyalty cards now which have been in vogue for quite some time in air travel As per the purchases made the scores are added up to that account, leading to attractive gifts later. Here with just swiping of the card that specific account is activated. In such a case a central data centre exists which stores all the data. The retail store can at any point of time retrieve the classified data from the central database Technologies under this broad head are titled as CRM technologies where CRM stands for Customer Relationship Management. With CRM software we can identify specific market segments, which were earlier statistically done by cluster analysis

The greatest benefit of technology from marketing point of view is the accuracy of processed data When the retail store has exact information about buyer preferences, clusters of similar preferences present trends then he can plan his market promotion strategy accordingly. Promotional schemes can also be designed based on available information

FACTORS INFLUENCING SELECTION OF TECHNOLOGY

Since every store wants to have a modern image, at times they make an erroneous decision regarding technology adoption. Since each store is not equal on all business parameters thus technology adoption has to be dealt on a case to case basis. Certain factors must always be kept in mind by the retail store owner before going for any technology.

i) Is there a need for technology adoption at all?

Any technological product needs high investment, trained personnel and periodical updating. A retailer should first look into the return on investment as well as recurring cost besides the one time sunk cost. Can the job in focus be done manually or with some cheap technological substitute? For instance for recording simple day to day retail activities of a small retail store any general software is sufficient.

ii) Volume of Business

Most important factor is what sort of volumes the retailer is operating with. Larger volumes do necessitate technological interventions. Here it's very important to note that large volume is a relative term. The biggest store in a small town can be much smaller than a medium sized store in a metropolitan city. When we speak of such products we must look into the issue accordingly.

iii) Nature of products dealt with

Each retailer deals with a set of products which when combined generally are a part of an industry. For instance Pantaloon or Westside who are in the apparels trade are a part of the fashion industry. Since fashion is very temporary in nature, they have to take aid of technology to gather data about latest fashion trends in India and abroad. This helps them to have a proper hold on the production planning and control.

iv) Availability of Financial Resources

In any business the buck finally stops here. After considering all the factors a store has to have a serious look at its resources. Most importantly a wise retailer should never dig into his working capital to meet such fixed expenses. Although exceptional cases do exist, but, thumb rule still remains the same.

LATEST TRENDS OF TECHNOLOGY RETAILING

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Electronic Retailing

Although it's not latest as far as international retailing is concerned, however in India it's still in an early stage. In electronic retailing internet is used as a platform by the retailer to communicate with the customer and offer products and services on sale. In India Baazee.com Times Internet, Rediff etc. are some of the examples of retailing. It will be dealt in detail in the next chapter on Non Store Retailing.

Interactive Projection Displays

Interactive rear projection displays allows the viewer to control the content displayed on a screen with a touch. It can be used within the store to promote services or offerings, or within the shop window. This actually facilitates window shopping. They are run on touch screen technology.

Attention Seeking Display Units

Such units can be installed within the store or even outside. Their main aim is to seek attention from the passers by. These illuminated and uniquely designed units carry promotion messages as well vital information about some specific products:

Vending Machines

Such machines have been recently installed in selected railway stations for vending platform tickets. Milk vending machines also exist. Presently opportunities are being explored in this area with more emphasis on new features and uses.

Handheld computer devices

Such devices have been successfully used by supply chain personals at the lowest end. It has been found useful to replace loads of paper which the driver had to carry while delivering consignments of product to the customers. With the total data stored in the handheld device now. Thus the driver can very well refer to that for any cross checking.

Radio Frequency Identification (RFID)

This is a wireless technology which is presently revolutionizing the Retail information system. A basic RFID system will have a transceiver, an antennae and a RFID tag also called a smart tag. The antennae emit radio signals which activate the smart tag, following which the transceiver decodes the data from tag into the computer. This has been used for tracking. RFID has been very successful in accurate tracking. However due to very high price of RFID its large scale adoption has not been possible yet.

Conclusion

To sum up technology plays a critical role in enhancing efficiency in Retailing. Role of technology is not new. Only difference has been the fact that there has been a barrage of new technologies coming in. A Retailer now has to be very cautious while planning to adopt a new technology.

MODULE 2

RETAIL LOCATION DECISION

"Silicon valley is a mindset; not a location."
                    - Reid Hoffman (Co-Founder, LinkedIn)

Location decisions are complex. Costs can be quite high, there is little flexibility once a site is

chosen, and locational attributes have a big impact on a strategy. One of the oldest retailing adages is that "location, location, location" is the major factor leading to a firm's success or failure.

A good location may be substantial enough to allow a retailer to succeed even if its strategy mix is mediocre. A hospital gift shop may do well, although its assortment is limited, its prices are high, and it does not advertise. On the other hand, a poor location may be such a liability that even superior retailers cannot overcome it. A mom-and-pop store may do poorly if it is across the street from a category-killer store; although the small firm features personal service, it cannot match the selection and prices. At a different site, however, it might prosper.

The choice of a location requires extensive decision making due to the number of criteria considered, including population size and traits, the competition, transportation access, parking The choice of a location requires extensive decision making due to the number of criteria considered, including population size and traits, the competition, transportation access, parking availability, the nature of nearby stores, property costs, the length of the agreement, legal restrictions, and other factors.

A store location typically necessitates a sizable investment and a long-term commitment.

Even a retailer that minimizes its investment by leasing (rather than owning a building and land) can incur large costs. Besides lease payments, the firm must spend money on lighting, fixtures, a storefront, and so on.

Although leases of less than 5 years are common in less desirable retailing locations, leases in good shopping centers or shopping districts are often 5 to 10 years or more.

It is not uncommon for a supermarket lease to be 15 or 20 years. Department stores and large specialty stores on major downtown thoroughfares occasionally sign leases longer than 20 years.

Due to its fixed nature, the investment, and the length of the lease, store location is the least flexible element of a retail strategy. A firm cannot easily move to another site or convert to another format. Also, a retailer may be barred from subleasing to another party during the lease period; if a company breaks a lease, it may be responsible to the property owner for financial losses. In contrast, ads, prices, customer services, and assortment can be modified as the environment (consumers, competition, the economy) changes.

Even a retailer that owns its building and land may also find it hard to change locations.

It has to find an acceptable buyer, which might take several months or longer, and it may have to assist the buyer with financing. It might also incur a loss, should it sell during an economic downturn.

A firm moving from to another locale faces three potential problems. (1) Some loyal shoppers and employees may be lost; the greater the distance between the old and new sites, the bigger the loss. (2) A new site may not have the same traits as the prior one. (3) Most store fixtures and renovations at a site cannot be transferred; their value is lost if they have not been fully depreciated.

Store location affects long- and short-run planning. In the long run, the choice of location influences the overall strategy. A retailer must be at a site that is consistent with its mission, goals, and target market for an extended time. It also must regularly study and monitor the status of the location as to population trends, the distances people travel to the store, and competitors' entry and exit—and adapt accordingly.

In the short run, a location has an impact on specific elements of a strategy mix. A retailer in a downtown area with many office buildings may have little pedestrian traffic on weekends.

It may be futile to try to sell items such as major appliances there. (Such items are often bought jointly by adult household members.) The retailer could either close on weekends and not stock certain products or remain open and try to attract customers

to the area by aggressive promotion or pricing. If the retailer closes on weekends, it adapts its strategy mix to the attributes of the location. If it stays open, it invests additional resources in an attempt to alter shopping habits. A retailer that strives to overcome its location, by and large, faces greater risks than one that adapts.

Retailers should follow these four steps in choosing a store location:

1. Evaluate alternate geographic (trading) areas in terms of the characteristics of residents and existing retailers.

2. Determine whether to locate as an isolated store in an unplanned business district or in a planned shopping center within the geographic area.

3. Select the general isolated store, unplanned business district, or planned shopping center location.

4. Analyze alternate sites contained in the specified retail location type.

MERCHANDISING PLANNING

"Advertising moves people toward goods; merchandising moves goods toward people."

- Morris Hite (American Advertising Expert)

In the fierce competition of retail, it is very crucial to attract new customers and to keep the existing customers happy by offering them excellent service. Merchandising helps in achieving far more than just sales can achieve.

Merchandising is critical for a retail business. The retail managers must employ their skills and tools to streamline the merchandising process as smooth as possible.

What is Merchandising?

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

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

Types of Merchandise

There are two basic types of merchandise:

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

Factors Influencing Merchandising

The following factors influence retail merchandising:

Size of the Retail Operations

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

Shopping Options

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

Separation of Portfolios

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

Functions of a Merchandising Manager

A merchandising manager is typically responsible to:

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

Merchandise Planning

Once we have set our objectives the stage is set for planning it-out. Significance of planning here is worth discussing. Whenever you plan for merchandise it is based mainly on the sales projections or forecasts as we call it in common parlance. These forecasts carry projections for the overall company, product category, item wise and in case it is a retail chain then individual store wise projections. While merchandise planning we have to keep in mind the following considerations

- Types of Merchandise
- Merchandising Objectives
- Category/Unit Forecasts
- Budget
- Assortments Planning
- Timing
- Strategic Considerations

Types of Merchandise

Essentially merchandising is of two types: staple/basic merchandise comprises of daily need products as well as those commodities which the customers buy frequently throughout the year. Fashion merchandise comprises of luxury items as well as products, related to fashion, style, and status. Depending upon the type of merchandise the planning may differ. A retailer selling staple merchandise will have lesser maneuverability regarding charging of premium brand of fashion merchandise retailer. However, of fashion merchandise retailer will have a greater risk of changing fashions than the staple merchandise retailer who will not have such risks at all.

Merchandising objectives

We have discussed about merchandising objectives earlier. It is most essential that we look into the fashion trends and the category and unit forecasts before planning out our merchandise.

Category/Unit Forecasts

Forecasts put logic behind acquiring a particular assortment of goods as well as quantity to be ordered. It is worth mentioning here that authenticity of the forecasting procedure makes it dependable.

Budget

Every retailer would like to keep the correct quantity of merchandise in the correct place at the most suitable time/month/season. Moreover he would like to achieve this within the limited budget of his store.

Strategic Considerations

Each store starts its plan with setting its financial objectives. Once they are set the next stage is to decide what to purchase for sale in the store. Here the retailer is cautious about his financial as well as space limitations. Thus with his ground reality clearly known he now has many merchandise related decisions to take -- For example if the store is a men's clothing store, then the retailer has to decide whether to carry a large variety of different types of clothing technically known as categories like shirts, trousers, jeans, t-shirts, suits, jackets or maintain fewer categories but a larger assortment of more styles and colours within each category. The decision problem does not end here. A retailer has to now decide as to how much stock to carry in each unit, each category and so on. However from a business perspective it is very important to note that more the retailer invests in back up stocks the less he would be able to invest in variety or say deeper assortments. A retailer on the basis of his experience and market forecasts makes a trade off between variety, assortment and back up stock. This is known is assortment planning.

Timing

In merchandise planning timing and the strategic considerations are the key determinants. We should always keep in mind the importance of time in merchandising. Procuring grains by a big grocery shop can become very strategic proposition if proper time is kept in mind. This can be the harvest period. Similarly what is the strategy? This question decides the merchandising plan.

Merchandise Buying

This activity includes the following:

Step 1 - Collect Information: Gather information on consumer demand, current trends, and market requirements. It can be received internally from employees, feedback/complaint boxes, demand slips, or externally by vendors, suppliers, competitors, or via the Internet.

Step 2 - Determine Merchandise Sources: Know who all can satisfy the demand: vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).

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

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

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

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

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

Vendor Relations

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

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

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

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

Merchandise Performance

The following methods are commonly practiced to analyse merchandise performance:

ABC Analysis

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

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

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

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

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

Sell-Through Analysis

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

This method is very helpful in evaluating fashion merchandise performance.

Multi-Attribute Method

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

MANAGING ASSORTMENT

In Assortment Planning we use store grades as a way to reduce the number of decisions we have to make. If we had to plan every store individually, we would end up repeating similar assortments many times. Planning at the store grade level allows us to be most effective as a result of our efforts.

What measures should we use to create the grades? Retailers commonly use sales value as the basis for store grading. This allows them to group together similarly performing stores, on the basis that they should have similar ranges assorted to them. As they become more sophisticated many retailers begin to incorporate space into the equation. This often results in a two-tier grade system with space sub grades within each sales grade. Superficially, this would appear to be a reasonable approach, and it generally does provide more efficient planning that not using grading at all. However, it places its emphasis on the wrong element - sales.

When we are making decisions about assortments, we are primarily deciding which items will go to which stores in which periods. The first question that we need to ask ourselves is how many items we should be sending to each store or store grade. The factor that limits the number of items is not primarily sales velocity (derived from sales value), but space available for display. Space is a limiting factor in bricks and mortar stores in the same way as production capacity is in manufacturing. If we are going to send similar ranges to groups of stores it makes far more sense to group these by space available for display than by sales value. Of course, this assumes that

you have accurate records on space at the product level you wish to grade by, and that you have systems in place to keep these records accurate and up to date. But what about sales? Well, we can allow the replenishment systems to pick up on rates of sale and to refill accordingly. We are not ignoring sales; we are merely saying that there are more relevant measures that we can use for grouping stores for assortment planning.

Of course, there may be instances where you have more space in a store than is warranted by the sales performance. This is not a desirable outcome, but is one which does exist from time to time. Where this is the case, you may consider reducing the density of assortment. If this

widespread you may want to consider sub grading by ales within space.

Once we have decided which measures to use for grading, we also need to decide at what level we wish to grade. There are 4 factors that will influence our decisions here:

- The availability of data for the selected measure

- The availability of a system that will calculate the grades at the selected level

- The availability of a range and assortment planning system that can use the grades at the selected level

- The ability of our transactional systems to execute plans based on the selected level

It is common for retailers to grade at a department level, but as data becomes easier to access and as planning and transactional systems become more powerful, we are seeing more and more people dropping the level down to category.

What's So Difficult About Planning Assortments?

With Assortment Planning, the planning exercise is fast, intuitive and efficient. Without automated planning tools, however, doing the entire job manually would inundate your staff with these tasks:

- Manage the end-to-end process of building, managing and planning assortments for new and existing products (and their variations)

- Keep up with assortment hierarchies, including start and end dates and unlimited assortment information

- Track attribute mix versus target

- Analyse best sellers from previous or similar assortments

- Plan unique assortments to accommodate each location's specific situation

- Plan placeholder and proxy items with like history

- Plan and track items using multiple measures and versions and reconcile back to financial goals

- Plan by average store, cluster or store in your retail channel

- Plan by campaign, book or media drop for your direct channel.

STORE MANAGEMENT

The retail business operations include all the activities that the employers perform to keep the store functioning smoothly. The shopping experience of a customer is planned before the customer enters, shops, and leaves the store with a smile or with agony by carrying a perception about the store. This experience drives the customer's decision of visiting the store in future.

Let us see, what efforts retail business operations executives put in to make the shopping experience memorable for the customer.

Store Management

The retail store being the fundamental source of revenue and the place of customer interaction, is vital to the retailer.

The store manager may not himself perform, but is responsible for the following duties:

- Maintaining cleanliness in the store.
- Ensuring adequate stock of merchandise in the store.

- Appropriate planning, scheduling, and organization of staff, inventory and expenses, for short and long-term success.
- Monitoring the loss and taking preventive measures to protect the company's assets and products in the store.
- Upgrading store to reflect high profitable image.
- Communicating with head office/regional office when required.
- Conducting constructive meetings with staff to boost their morale and motivate the staff to achieve sales goals.
- Communicating with customers to identify their needs, grievances, and complaints.
- Ensuring that the store is in compliance with employment laws regarding salary, work hours, and equal employment opportunities.
- Writing performance appraisals for assisting staff.

The store manager ensures that these duties are performed according to the guidelines set by the company.

Premises Management

The store premises are as important as the retail store itself. Managing premises includes the following tasks:

Determining Working Hours of Store. It majorly depends upon the target audience, retailed products, and store location.

For example, a grocery store near residential area should open earlier than a fashion store. Also, a solitary store can be open as long as the owner wants to but a store in a mall has to adhere to working hours set by the mall management.

Managing Store Security. It helps avoiding inventory shrinkage. It depends upon the size of store, the product, and the location of store. Some retailers attach electronic tags on products, which are sensed at store entrance and exits by sensors for theft detection. Some stores install video cameras to monitor movement and some provide separate entry and exit for personnel so that they can be checked.

For example, a large departmental store needs high security than the grocery store located near residential area.

Here are some basic formulae used while managing premises:

Transaction per Hour = No. of Transactions/Number of Hours

The retailer keeps track of the number of transactions per hour, which helps in determining store hours and staff scheduling.

Sales per Transaction = Net Sales/Number of Transactions

The result gives the value of the average sales and net return, which is used to study sales trends over time.

Hourly Customer Traffic = Customer Traffic In/Number of Hours

This measure is used to track total number of customer traffic per unit time. It is then applied to schedule hours and determine staff strength.

Store Design and Layout

The store design and layout tells a customer what the store is all about. It is a very strong tool in the hands of the retailer, for communicating and creating the image of the store in the minds of the customers. It is the creation of this image that is the starting point of all marketing efforts.

The importance of store design needs to be understood form the perspective of the retailer and from the perspective of the consumer.

For the consumer a store needs to be simple to navigate; it must appeal to his sensory perceptions and must create a sense of belonging to a sense of relationship, a sense of security or assurance and a sense of pleasure in the shopping experience. While the merchandise the sales personnel the location and the pricing all work towards crating an image it is the physical attributes of a store which affect the customer's sensory perceptions and makes him relate to the store in a particular manner. They work with the other elements towards creating the desired image or atmosphere.

The environment which is created in the retail store is a combination of the exterior looks of the store, the store interiors the atmosphere in the store and the events, promotions and the themes, which form a part of the retail store.

A well-planned retail store layout allows a retailer to maximize the sales for each square foot of the allocated selling space within the store.

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

Each floor plan and store layout will depend on the type of products sold, the building location and how much the business can afford to put into the overall store design.

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

RETAIL SPACE MANAGEMENT

Getting the right store and shelf-space management strategy is key to driving traffic, retail sales revenues, and profitability. Retailers have to understand consumer needs, preferences, and purchase behavior across online and offline channels to better "curate" assortments and to optimize their space and assortments. They can use facilities productively by identifying the right amount of space, the right number of brands, and the placement of each product category to most profitably meet retailer

and customer needs. Sometimes, retailers drop merchandise lines because they occupy too much space relative to sales, margins, and/or turnover. Today, many department stores focus more on apparel and cosmetics and less on electronics, appliances, and home furnishings (such as carpeting and window treatments).

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

What is Space Management?

It is the process of managing **the** floor space adequately to facilitate the customers and to increase the sale. Since store space is a limited resource, it needs to be used wisely.

Space management is very crucial in retail as the sales volume and gross profitability depends on the amount of space used to generate those sales.

Optimum Space Use

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

Product Category:

- Profit builders: High profit margins-low sales products. Allocate quality space rather than quantity.

- Star performers: Products exceeding sales and profit margins. Allocate large amount of quality space.

- Space wasters: Low sales-low profit margins products. Put them at the top or bottom of shelves.

- Traffic builders: High sales-low profit margins products. These products need to be displayed close to impulse products.

- Size, shape, and weight of the product.

- Product adjacencies – It means which products can coexist on display?

- Product life on the shelf.

Retail Floor Space

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

Measure the total area of space available.

- Divide this area into selling and non-selling areas such as aisle, storage, promotional displays, customer support cell, (trial rooms in case of clothing retail) and billing counters.

- Create a **Planogram**, a pictorial diagram that depicts how and where to place specific retail products on shelves or displays in order to increase customer purchases.

- Allocate the selling space to each product category. Determine the amount of space for a particular category by considering historical and forecasted sales data. Determine the space for billing counter by referring historical customer volume data. In case of clothing retail, allocate a separate space for trial rooms that is near the product display but away from the billing area.

- Determine the location of the product categories within the space. This helps the customers to locate the required product easily.

- Decide product adjacencies logically. This facilitates multiple product purchase. For example, pasta sauces and spices are kept near raw pasta packets.

- Make use of irregular shaped corner space wisely. Some products such as domestic cleaning devices or garden furniture can stand in a corner.

- Allocate space for promotional displays and schemes facing towards road to notify and attract the customers. Use glass walls or doors wisely for promotion.
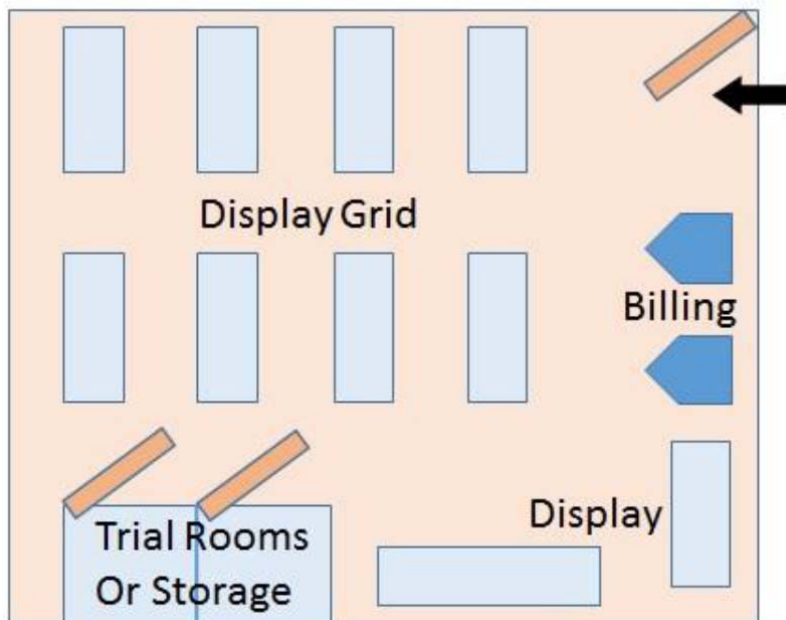
Store Layout and Design

Customer buying behaviour is an important point of consideration while designing store layout. The objectives of store layout and design are:

- It should attract customers.

- It should help the customers to locate the products effortlessly.

- It should help the customers spend longer time in the store.

- It should motivate customers to make unplanned, impulsive purchases.

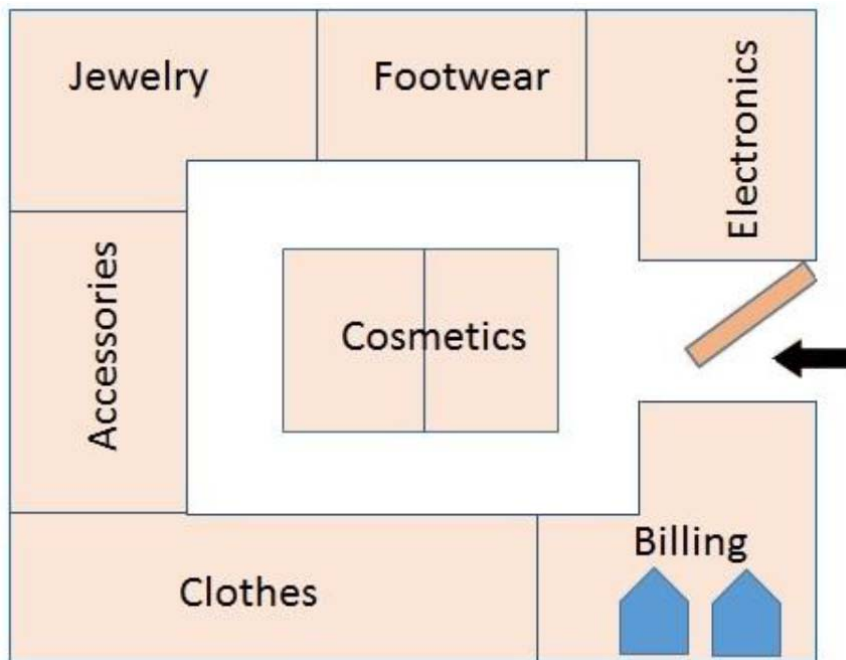- It should influence the customers' buying behaviour.

Store Layout Formats

The retail store layouts are designed in way to use the space efficiently. There are broadly three popular layouts for retail stores:
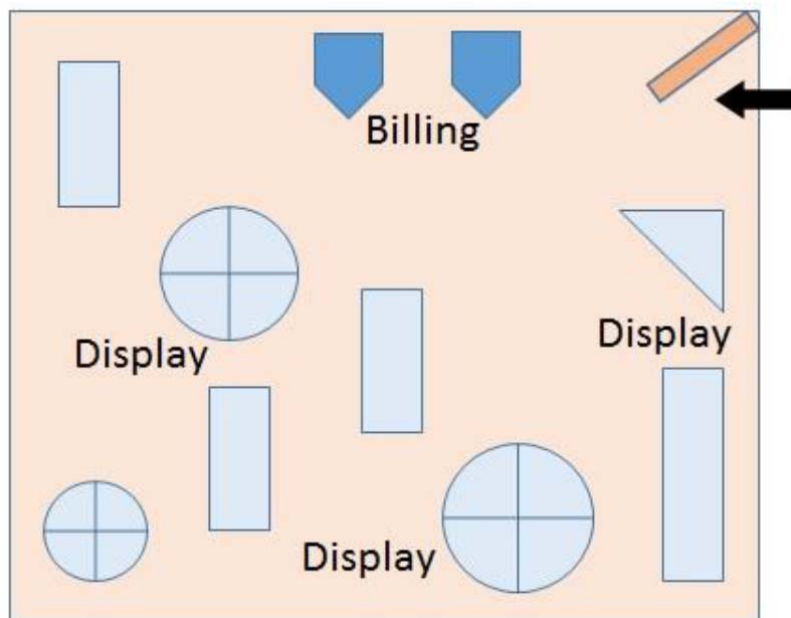
Grid Layout: Mainly used in grocery stores.

Loop Layout: Used in malls and departmental stores.

Free Layout: Followed mainly in luxury retail or fashion stores.

Store Design

Both internal and external factors matter when it comes to store design.

Interior Design

The store interior is the area where customers actually look for products and make purchases. It directly contributes to influence customer decision making. In includes the following:

- Clear and adequate walking space, separate from product display area.

- Free standing displays: Fixtures, rotary displays, or mannequins installed to attract customers' attention and bring them to the store.

- End caps: These displays at the end of the aisles can be used to display promotional offers.

- Windows and doors can provide visual messages about merchandise on sale.

- Proper lighting at the product display. For example, jewelry retail needs more acute lighting.

- Relevant signage with readable typefaces and limited text for product categories, for promotional schemes, and at Point of Sale (POS) that guides customers' decision-making process. It can also include hanging signage for enhancing visibility.

- Sitting area for a few differently abled people or senior citizens.

Exterior Design

This area outside the store is as much important as the interior of the store. It communicates with the customer on who the retailer is and what it stands for. The exterior includes:

- Name of the store, which tells the world that it exists. It can be a plain painted board or as fancy as an aesthetically designed digital board of the outlet.

- The store entrance: Standard or automatic, glass, wood, or metal? Width of the entrance.

- The cleanliness of the area around the store.

- The aesthetics used to draw the customers inside the store.

Design in Non-Store Retailing

Although non-store retail formats place some significant restrictions on the use of design in the selling environment, innovative approaches have often paid off as a source of competitive advantage.

For example, when NEXT launched their NEXT Directory it was unlike anything customers had previously encountered in the UK home-shopping market. The format was more like a coffee table book than a catalogue, with hard covers and a much higher proportion of full-page spreads than used by other mail-order retailers, and the bold and neutral corporate identity of the stores is clearly reflected in the pages. Early editions even included small swatches of material to allow customers to get a 'feel' for the garments prior to purchase. The catalogue was aimed at a more upmarket customer than the typical

Objectives of Store Design

Store Design Objectives
Following are the prime objectives of store layout and design:

- Consistent with retailers image and strategy
- Positive influence on customer satisfaction and purchase behavior
- Cost effective
- Flexible
- Meet needs of disabled

Tradeoff in Store Design

- Easy of locating merchandise for planned purchases Exploration of store, impulse purchases

Four key elements of effective retail store and design

The Retail experts, has published *four key elements* of effective store and design: external signage, store layout, internal category management and internal ambiance. Accordingly, "There are many examples of power in a retail store where all the elements of innovative design, format, statement, power merchandising, clear and compelling messaging combine with a unique and consistently delivered sales and service impact,"

Visual Merchandising

Visual Merchandising and Displays

Visual merchandising is concerned with presenting products to customers within the retail space. It is a term sometimes used as an alternative to merchandise display, but these days is

generally understood to have a wider definition encompassing all activities concerned with the presentation of the product within the retail outlet, including the choice of store layout, the method of product presentation, the choice of fixture and fittings, the construction of displays, and the use of point-of-sale material. It also has a very close connection with the allocation of space within the outlet. Visual merchandising is more important in some retail sectors than others.

Example: Fashion and home furnishing retailers have always devoted considerable resources to displaying products in a visually appealing way, whilst discount grocery retailers are much more concerned with space efficiency. However, the need to adapt to style-conscious twenty-first-century customers is as relevant to the way products are presented as the way a store environment is designed.

Exterior Design and Layout

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

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

Store design involves formulating and structuring all elements of the physical environment.

The storefront includes all aspects of the front/exterior of the store. Elements include the marquee (or exterior sign), entrances, windows, banners, planters, awnings and lighting. As major vehicles for communicating image, storefronts create differentiation among retail stores. This is especially true in shopping canters and malls in which a store struggles for visual identity among all the others that surround it.

Three other important functional aspects of exterior design are customer visibility, store security, and potential for efficiency among staff and associates.

A variety of approaches to store exteriors are available to retailers. Modular or prefabricated Notes structures are pre-manufactured, fitted with electrical and plumbing fixtures, and transported to be secured on a slab or attached to other units. These buildings are most commonly found in a self-service format, such as a convenience store. Chain store companies with freestanding stores may use uniform prototypes of different sizes, each having standard specifications, to achieve cost advantages through mass production.

Signs and windows also are important components of the exterior appearance of a retail business. Like other elements of the design mix, they help the retailer establish an identity in the minds of target customers.

Figure: Exterior Design
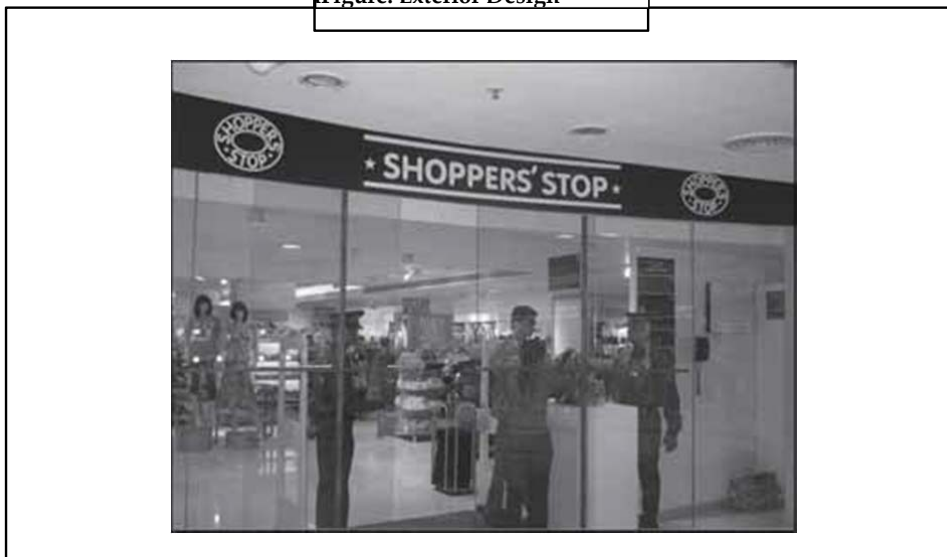
Interior Store Design and Layout

Interior design involves all components of the store interior, including fixtures, graphics, flooring, ceiling, lighting; and other visual elements. Of all the elements of store design and visual merchandising, interior design has the greatest capacity to convey store image and create certain moods and emotions in buyers.

Basic interior design begins with such items as the width of aisles, the treatment of pipes and vents, the decoration of walls, and the style of lighting fixtures. All these elements contribute to customers' perceptions of and responses to the store.

Displays inside the store should relate to the displays seen in the windows. Good display effects should continue inside the store to move customer traffic through the store. The aisles, the signs that direct the customer, the walls, and the interior displays are most important to the total visual concept of the store. Each department, shelf, counter, ledge, case, and furnishing in addition to the display areas requires analysis in executing display techniques. The furnishings of the store should be attractive and placed so as to enhance the visual impact on the customer. There should be updating and improvements in fixtures to avoid a stagnant, dated effect.

visual concept of the store. Each department, shelf, counter, ledge, case, and furnishing in addition to the display areas requires analysis in executing display techniques. The furnishings of the store should be attractive and placed so as to enhance the visual impact on the customer. There should be updating and improvements in fixtures to avoid a stagnant, dated effect.

Fixtures/Display areas

Display fixtures include racks, stands, tables, shelves, and other devices for physically presenting merchandise. They may be floor fixtures-round, rectangular, or box-racks, cubes –or wall fixtures such as brackets, shelves, etc.

All furnishings of the store should be placed to enhance the visual impression each floor presents. They should be arranged both to sell the most merchandise and to be pleasing to the customer.

Figure : Display Area in a Store

Corner Shops

These shops, as well as other marked-off areas with distinctive décor, are employed by store engineers to relieve the monotony of departmental furnishings.

Shelves

Obviously, shelves are necessary to store stocked merchandise. They are poor display areas, however, and should be hidden whenever possible by walls, curtains, and so on.

Counter and Table Display

These sell merchandise more readily than do shelf displays, because they are located in front of the stock areas, bringing the goods nearer to the customer and allowing the customer to usual design for counters and cases. However, rounded, oval, and surrealistically shaped counters not only ease the flow of traffic through a store, they appear less regimented and do not present hazardous sharp edges to the customer. They are a pleasant change from the square design.

Ledges

The tops of shelves sometimes serve as areas for display. They necessarily follow the set structural lines of a department. Ledge areas may be made very attractive with the addition of decorative pieces for seasonal promotions. Because ledges with shelf space below them are above the comfortable range of vision, constant care must be exercised in the placement of merchandise.

Unsightly portions of it, such as chair seats, shoe soles, wrong sides of materials, or unfinished backs of stoves or refrigerators, should not be visible to the customer's eye and must be camouflaged with decorative effects.

Merchandise walls

Imagine a customer standing in the entrance to a store, taking in the "view." Wherever that

customer looks the background will be a merchandise wall. Merchandise walls form the total background of the store.

Types of merchandise walls

_ Those that house merchandise and display that merchandise using face-outs

_ Those that house merchandise and display that merchandise using grids

But these walls can be treated in many ways to create a strong store "look" and provide an

interesting, colourful background for the store's other fixtures and displays.

Color & Lighting

Color and lighting are critical to an ambiance that projects a store's image and attracts customers. Used strategically, color can influence the perception at a room's size complement the merchandise on display, state a as lion position, and attract a particular clientele. The psychological effects of color have been well documented.

Lighting is essential to creating interest, shaping moods, and stimulating customer buying.

Compared to other interior design elements, it has a very potent, immediate effect. Its functions include the illumination of space and merchandise, the accurate rendition of color, and the use of contrast to direct customer attention and movement. Merchandise may be lit directly through color and intensity or indirectly through surface highlighting, the degree and type or lighting needed depend on the

merchandise to be presented. Spotlights emphasize key promotion, displays; lights of varying intensity draw shoppers to particular areas. In fitting rooms and mirrored selling areas, lighting must be designed to flatter customers.

: A Store with Innovative Lighting

Sound and Aroma

Sound is an important design tool because of its ability to affect buying behavior. Music in particular helps create a retail environment in which sensory satisfaction brings relaxation and a willingness to purchase, Programming can be used thematically to reinforce the merchandise or it can be used to attract the target customer group.

Music may also be used strategically to obscure other sounds or enliven an oppressively silent atmosphere. In price-positioned discount stores or supermarkets, promotional and informational announcements to help spur sales frequently interrupt background music

Retail Atmospherics and Retail Aesthetics

The important element of the store interiors is termed as atmospherics and aesthetics. Atmospherics is the design of an environment with the help of visual communications, lighting, color, music, and scent to stimulate customer's perceptual

and emotional responses and thereby influence their buying behavior. Philip Kotler first introduced the concept of atmosphere. Retailers in India are fast learning the effects of various elements of atmospherics on customers.

Aesthetics on the other hand takes into consideration factors like the actual size of the store, the colors, textures, etc, used within the store to create a particular look and feel for the store. Texture deals with the look and feel of materials. Every material item possesses a texture. Visual texture is the result of light refracted form any surface. Balance on the other hand, is the distribution of weight in a display. Three types of balance exist: symmetrical, asymmetrical and open.

Store Interiors are a function of the fixtures, flooring, ceiling, lighting and signage used within the store to create a particular look.

Most of the UK's largest retailers have a huge investment or asset tied up in their store portfolio. It is therefore in their interest to keep a high level of customer traffic moving through the store in order to maintain an adequate return on that investment. Good use of design in stores helps keep customers interested in store-based shopping. When consumers have a high level of choice, they will visit places where they feel comfortable inspired and even entertained. Customers are nowadays more design literate; the plethora of interior style media offerings has created a body of consumers that are not willing to tolerate badly designed and poorly decorated space.

Competitive threats from home shopping means that the store environment has to have something special to offer, and international competition can also force retailers to pay more attention to their selling environments. Spanish fashion retailers Mango and Zara, who use clean-cut and modern store interiors, have been able to threaten domestic retailers in the UK middle-market women's clothing sector.

Store design has always been used to reinforce other elements of a retail strategy.

Example: Plush carpeting and marble used in a store denotes high-quality merchandise and may suggest a high-price positioning. Strip lighting and dump bins for merchandise brings the word 'bargains' to mind. However, as retail markets mature, the design of retail space is increasingly being used as a means by which strategic aims are reached.

Retailer equity

The concept of retailer equity refers to assets and values owned by retailers, similar to customer-based brand equity, which is an asset of the retail store associated by the consumer with the receiver's name and symbol. Retailer equity studies view a retail store as a brand. For example, a Wal-Mart store can be considered a brand of the retailer, and the value added to that store by the brand of Wal-Mart becomes retailer equity.

In particular, studies involving retailer equity have defined retailer assets based on customer or marketing perspectives rather than on the concept of financial assets, similar to those of Aaker . The retailer equity studies are similar in that they suggest a retail equity model that reflects the unique circumstances of each retailer based on the studies of brand equity, though there are some differences in the composition of the studies.

As such, the consumer based retailer equity represents the overall assessment of the retail channel as a strong, attractive, and unique brand by the consumer . Therefore, high retailer equity allows customers to easily identify and recall retailers, have many positive and strong associations associated with them, recognize them as high quality retailers, and have loyalty to them. In addition, retailers with high brand equity levels perform many important market functions including non-elastic price sensitivity, sustained price premium, successful brand expansion, high market share, competitive cost structure, and high profitability. In summary, retailer equity means the utility and value added to the retail store by the name of the retailer and is an important differentiator for the competitive advantage.

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Module 3

RETAIL COMMUNICATION MIX

INTRODUCTION

From times unknown, retailers have tried to attract the customers towards their products and services and more importantly their store through novel methods. At one point of time, few decades back the retailer seems to know the names of the customers as well as their nature of purchase. On the other hand customers used to associate themselves with the specific store based on the relationship they had, with the retailer. That was an era which was marked by lesser number of stores as well as, equally lesser number of customers. Over a period of time things have changed drastically to make the customers more demanding. To make things grimmer, there has been a quantum jump in the number of stores as well as individual sizes of major stores. All these factors have led to a situation whereby, the customers are on the lookout for the best bargain. The purchase decision is just not based on relationship but on hardcore monetary gain and the experience quotient derived out of the shopping transaction. All this has made marketing communication a significantly critical area from the source point of view. This is because, customer visits are perception based in the first instance and there onwards it is based on their own experience. Whether it is a matter of perception for a first-time visit or a satisfying experience within the store and a sense of happiness for transacting with the store, all depends upon the marketing communications strategy of the store .

REASONS GOVERNING THE CHANGED CUSTOMER ATTITUDE

Scarcity of time: Majority of the families are dual earning and have various commitments to attend. They thus face paucity of time to invest in purchase transactions. With increasing distances a major part of the consumer time is consumed in commuting. This leads to an increase in time cost for the customer. Thus, they have become very conscious about the time factor.

Lifestyle and Status: Customers in general have developed 'a great sense of individualism. People follow distinct lifestyles and would not like to compromise there. This leads to an intensive search by the customer for specific product types

and styles. Thus the customers would like to confirm whether the retail outlet has a perception amongst the customers which matches their preference.

The retailer should take this scenario in his stead and sincerely work to establish a positive image. At the same time it should be his endeavour to communicate to the customer about the range of products and services which can satisfy the customers at prices which suit the customers.

RETAIL MARKETING COMMUNICATION

All means adopted by a retail store to communicate a store specific message to the customers constitute the retail marketing communication. Therefore we can say, whatever, a store does to communicate to the target audience regarding the visit worthiness of the store can come under the broad heading of retail marketing communication.

BASIC TASKS OF COMMUNICATION

1) Intimate the customers about the presence of a store or outlet.
2) Invite them to visit the store and make it really an attractive proposition to do so.
3) Amidst all the media clutter make a consistent effort to remind them to do so.

It has often been experienced that some promotional schemes have been introduced in the market by manufacturer's brand. This is backed by heavy advertising and publicity. However when the customer goes to purchase the same brand he either does not find it available or more surprisingly, the store is not aware of the scheme being offered. This anomaly or inconsistency can be minimised by the integration of the communication strategy.

The primary function of any marketing communication strategy is to increase footfalls in the store. This footfall can be increased by informing the customer about the store and motivating him to do so. Differentiation from competitors is also a major function or marketing communication,, Here it is worth mentioning that marketing communication strategy will be very different for large retail chains vis-a-vis single unit retail stores. A large retail chain based on multiple geographical locations has diverse audiences to address to. Thus the communication strategy can be fine tuned as per need of the store. However it is very important to remember that even in case of fine tuning of communication strategy the identity of the store

remains the same. Strategy has to be such that the image and identity of the chain remains the same.

Integrated Marketing Communication Program

Integrated marketing communication consists of a quiver of communications tools. It includes:

Advertising

It would include all paid forms of nonpersonal presentation of ideas to promote the store. Advertising gives a reason to buy from the specific store to the customers. Here, we can include all the advertisements in the press, television and all other forms of media. The latest type of advertisement in the press is known as advertorial. In this case a detailed report is prepared and presented in the form of a press report in the newspaper, which is actually not so. These reports or other promotional material are presented in an innovative manner so that, the customer (reader) takes it as a genuinely covered press, report.

Sales Promotion

It includes off-season discounts, off-season sales, free gifts, most valued customer schemes etc. Sales promotion gives• an incentive to buy from that store as against the mission of advertising to give a reason to buy. It has been seen over the years that sales promotions have been successful in boosting sales even if, for the promotion period only. Retailers must be cautious while introducing such schemes as, it leads to counter schemes by competitors towards as well as a sharp dip in sales after the promotion is over.

Publicity

All activities which give some sort of positive or negative image on the basis of activities done by the store come under the broad heading of publicity. For instance, if a big retail store (foes some charitable activity to help some underprivileged cross-section of society and, it generates media interest, which leads to media coverage then, we can term it as publicity. It has been experienced that publicity is more effective in tone for promotion than advertising. However, stores should refrain

from getting into controversial areas to avoid any negative publicity which may adversely affect its image amongst the target audience.

Direct Marketing

All forms of store promotion through brochures, catalogues and Internet can be categorised under the broad heading of direct marketing. Direct marketing has been very popular in Western countries but not so in India. It has been seen that, transactions through the net have not been that popular in India. Reasons can be attributed to problems related to product delivery and payment while transacting through net. However, we must bear this in mind that in comparison to advertising, direct marketing proves to be a cheaper and effective medium for store promotion. The greatest advantage of direct marketing is that, it not only draws attention of customers for visiting the store but, also presents an opportunity to buy products over the phone or through the Internet

Personal Selling

Personal selling is an integral part of integrated marketing communication. When a store uses its sales force to give personal attention to the customers and follow-up in a personalised manner it becomes an effective tool for store promotion. At times store personnel do visit customers at their residences to develop an intimacy and obviously, promote the store.

Public Relations

The image a store develops through its public dealings like interaction with the customers, enthusiasm amongst the store employees and customer's grievance handling mechanism constitutes public relations or PR.

The concept of integrated marketing communication (IMC) as it is popularly known simply states that all the tools of marketing communication mentioned above should be used in tandem to achieve the organisational goals. Further, you should appreciate that all these tools have their own unique characteristics to communicate the specific message in a distinct manner. You should understand that all these tools when applied together or in short intervals should never deliver a different message or image of the store. For example if a particular retail store hires top notch models

to inaugurate the store backed up with a jazzy advertising campaign, it definitely carves out an image in the minds of the customer. However, if the customers perceive through word-of-mouth communication that the store does not offer such premium products as was expected in line with the image formed, it may result in a sharp decline in footfalls in the store. Similarly after such an advertising campaign if the publicity generated by the activities of the store is unable to match the image, even then it will lead to a fiasco for the store. The bottom line there is all the tools of marketing communication have to perform in a co-ordinated manner as instruments in an orchestra.

We can put the retail store at the core of this mix at the time of need arousal, the customer has several questions. These questions can be

- Which product to buy that satisfies the present need?

- Which brand of the product buy?

- Which store to purchase from?

- Whether to purchase from a single store or compare the offerings at various stores?

Many communication variables influence the decision to do shopping at a particular retail outlet. Given the fact that there that multiple retailers and multiple products trying to convince the customers with the messages, the role of marketing communication becomes very critical.

STEPS FOR DESIGNING AN EFFECTIVE IMC STRATEGY

For developing a proper IMC strategy a retailer must follow the following steps:

1) Design the marketing objectives

2) Devise the communication objectives to achieve the marketing objectives

3) Situation analysis

4) Design the marketing communication strategy

5) Prepare the budget

6) Implement the marketing communication strategy

7) Review the results and compare with targeted results

8) Corrective measures

Design the marketing objectives

Each retail store understands what it requires, to not only survive in the competitive market but also earn profits. In this context what sort of marketing objectives the store should have is to be decided as the first stage. Marketing objectives may change as per the market situation and level of establishment of the retailer. A well established retail store would not concentrate on spreading awareness amongst the consumer segments where as a new and upcoming store would like to do so.

Objectives of a Retail Communication Strategy

Communication strategy of any retailer is based on his marketing objectives. It would depend on the retailer whether he is interested in getting a big footfall and many customers visiting the outlet or interested in very specific preference customers visiting and also buying from their store. More importantly some retailers initially aim for a big footfall so that the store gets the maximum visibility; thereon they try to focus on their target segment with specific communication signals.

Communication objectives can be both Long term as well short term

Long term Communication objectives: These are those communication objectives which any retail entity would not like to change in the short run. These goals are not achievable overnight. At the same time it is worth mentioning that once achieved these goals cannot be won over by competitors in the short run until and unless some thing drastic happens. Long term objectives can be creating a strong brand image for the retailer or creating brand loyalty.

Short term Communication objectives:

These objectives keep on changing as per the changing market scenario. Such objectives are necessary from a promotion as well as competition perspective. Supposedly the retailer wants to increase footfalls he can design a communication which can attract traffic to his outlet. During the festivals or monsoons one can design strategic communication aimed at specifically increasing the sales.

Devising communication objectives

The first step in the strategy of designing communication and promotion strategy is to have the marketing strategy in place. Marketing objectives can be designed out of the marketing strategy. A retail store new to the market may like to have a strategy to have a good penetration in the market. For this his objectives can be maximisation of footfalls as well as increasing awareness about his store among the audience. However on the other hand in case of an established retail store the strategy can be well very different from the small store. A well established large store can think about having an up market image in the target segment and therefore go for premium pricing as well as premium branding. Test case can be of a retail store dealing in seasonal goods like garments. Such a store has to have a very different strategy since, his dealing and transactions will be limited to a specific duration of the year. Marketing objectives can be for instance, an increase in sale by increasing footfalls, it can also be, restriction on footfalls by having premium pricing of the products available in the store. More communicate the same to the customers in the most convincing and persuasive manner.

Once the marketing objectives are in-place, the retailer has to concentrate on 'what to communicate to the customer so as to the marketing objectives which in turn will finally make his marketing strategy successful. Most important part of communication strategy is the fact that, what message is to be given to the customers so that they think in a way, the retailer wants them to. For instance, you must have seen big advertisements of sale given by various retail stores as well as showrooms. However, at the very first instance when you see that advertisement, you have a feeling that this is a false statement. This is due to the fact that over a period of time customers have been exposed to various advertisements and promotion schemes where they have not been benefited to an extent they would like

Therefore with that sort of experience curve the customers would never like to get into such a net. The onus therefore lies on the retailer to communicate to the customer in such a way that they are convinced about the origin as well as authenticity of the message.

Situation analysis

Once the marketing objectives as well as communication objectives are in place next step is to study the market situation. After conducting situation analysis a retailer may come to know that he has to fine-tune his message and change the media vehicle to achieve the communication objectives. It can be possible that, before launching any promotional scheme a retailer comes to know that a competitor is already launching 4 much more aggressive as well as valuable scheme from the customers point of view. If the retailer would have launched his scheme he would have been a big loser after the counter scheme launched by the competitor. Moreover situation analysis also gives vital information to the customer regarding customers propensity to consume, existing retail scenario, entry of new players, as well as exit of old players.

Designing a marketing communication strategy

Marketing communication comprises of various constituents like advertising, sales promotion, personal selling, direct marketing, event management etc. On the basis of situation analysis the retailer is very well aware about the market situation. Thereon on the basis of marketing objectives as well as communication objectives a retail marketing communication strategy is designed. The marketing communication strategy contains a blueprint of what to do so as to achieve the communication objectives in a way that the marketing objectives are achieved which in turn, fulfils the marketing strategy. All the target segments cannot be communicated with just one mode of communication. Therefore it is an endeavor of the retailer to allocate budget and strategically plan the roles for those communication tools which are required. For instance, in case a retailer is based in a downtown area with middle income and lower middle income population then it presents a unique scenario. Here customers would expect to have the best bargaining in the form of lower prices. Basically they would like to have a value for money. Here the retailer will have to communicate about availability of products at their (affordable) price range in the most convincing manner through a creditable channel of communication. On the other hand in case of an up market store based in one of the posh localities the scenario will be very different. Any retail store where such situations exists will,

have to plan for a strategy of maintaining an up market image and delivering goods and services which justifies that image.

Preparing the ́ Budget

All strategies and objectives of the retailer can go flat for want of funds. Any strategy or marketing objective design should be undertaken in line with available resources. it is of prime importance communication and promotion. Depending upon the turnover of the company as well as the affordability a budget can be designed in consultation with the concerned personnels of the organisation. While planning the budget a retailer has to be very cautious about the short-term and long-term implications of investment. For instance, if a retail store invests excess funds in the fixed assets like building, air conditioning plant etc then availability of working capital will really come under pressure affecting overall sales performance of the store.

Implementation of the Communication Strategy

This is one of the critical stages of marketing communication strategy. While implementing the strategy any retailer should be very cautious that the implementation is in letter and spirit as devised while at the planning stage. An important point to be mentioned here is the scope for change in strategy at this stage. Retail market is the most dynamic place in today's era. Therefore, even after conducting situation analysis and designing the strategy on that basis a need can arise to make some minor or major changes at the implementation stage. An ideal strategy should be flexible with proper scope to accommodate changes. Moreover sincere assumptions in this regard must be made.

Reviewing and Evaluating

With the implementation of the plan of action the retailer must impartially look into the results of implementation of the communication strategy. Communication strategy once implemented starts giving results within a reasonable period of time. In case customer are convinced and motivated to the message of the retailer it must translate into increase in footfalls, as well as actual sales. However, the customers can completely reject the stand taken by the retail store by not visiting the store and

purchasing their products. However, it is worth mentioning here that with the implementation of any communication strategy it can be expected that competitor stores also launch a counter communication campaign. That may not only minimise the impact of one's communication strategy but completely negate the outcome. A retail store must therefore have a contingency plan ready for such situations. In case a contingency plan is in place then it can immediately be implemented in case such a situation arises. Whenever we speak about a contingency plan we do not intend for one fixed plan. Contingency plans are flexible lines of action against a set of different competitive situations.

SELECTION OF PROMOTION MIX

With the growth of retailing in India you must be observing that there has been a tremendous rise in various schemes which the retailer opts to boost his sales. You must have visited a retail outlet with the banners about discounts, free gifts, and other such attractive schemes. All these constitute retail sales promotion. Such sales promotion tools are excellent generators of demand is used strategically with a proper timing.

PROMOTIONAL OBJECTIVES

A retail outlet may have multiple promotional objectives. Long-term objectives of a retail store can be to create a positive store image which has a lasting impact on its customers. More important as it is about this positive image is that it should be a differentiating factor for the store amongst a host of competitors.

Short-term objectives can be primarily to attract new customers. Moreover it can also claim for an increase in frequency of visits from the existing customers
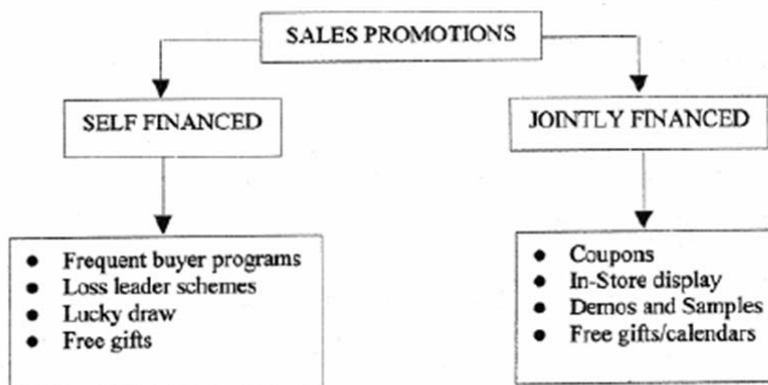
Advertising

- Persuasive advertising (health and wellness clubs,hospitality industry).

- Corporate advertising (financial service providers sponsoring a particular magazine or an advertorial circulated to specific corporates about the services rendered by the financial service provider).

- Informative advertising (a practise of consumer durables firms informing prospective consumers of the features and related benefits of the product).

- Financial advertising (ads released by mutual funds, banking entities, insurance firms informing investors of product features, inherent risks and benefits).

- Classified advertising (in book catalogues offering sale of products, services ,etc.)

TYPES OF SALES PROMOTIONS

If we look into types of sales promotion schemes we find there is a definite distinction which draws a line between the two classifications of sales promotion. Before we get into classification you must understand that the sales promotion schemes does not only help the retailer to boost his sales but, also supports the cause of the manufacturer. Therefore it is also the responsibility of the manufacturer to contribute in the endeavour of the retailer. Now coming back to classification the two types of sales promotions can be

- Sales promotion completely financed by the retailer

- Sales promotion jointly financed by the retailer and manufacturer

Self financed sales promotion schemes

RETAIL SALES PROMOTION

Sales promotion encompasses the paid communication activities other than advertising, public relations, and personal selling that stimulate consumer purchases and dealer effectiveness. The purpose of a promotional campaign is to build sales in the short term—or sometimes as a longterm strategy of constant promotional pushes to reach sales goals. It includes displays, contests, sweepstakes, coupons, frequent

shopper programs, prizes, samples, demonstrations, referral gifts, and other limited-time selling efforts outside of the ordinary promotion routine.

The main priority of a sales promotional strategy should be to maximize profit by selling

as many units as possible at full price within the "prime season," and then to sell the remaining units at lower price. A retail promotion calendar is often based on sales history and a projection of the assortment plan for the current period. Then, the retailer plans to use various promotional tools to drive greater revenues by creating excitement, urgency, or price satisfaction at various times during the selling period. At the start of a season, full-margin sales can be driven by "prime" promotions—displays, upsells, and campaigns designed to promote and sell the intrinsic value and unique selling attributes of merchandise. As the season progresses, actual performance is tracked, with both better and worse results than planned taken into account. More promotions may then be used—such as loss leaders, markdowns, and deals (buy pants to get a polo T-shirt free) to stimulate

sales while holding margins

OBJECTIVES   Sales promotion goals are:

▶ To increase short-term sales volume

▶ To maintain customer loyalty

▶ To emphasize novelty

▶ To complement other promotion tools

ADVANTAGES AND DISADVANTAGES The major advantages of sales promotion are that:

▶ It often has eye-catching appeal.

▶ Themes and tools can be distinctive.

▶ The consumer may receive something of value, such as coupons or free merchandise.

▶ It helps draw customer traffic and maintain loyalty to the retailer.

▶ Impulse purchases are increased.

▶ Customers can have fun, particularly with promotion tools such as contests and demonstrations.

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The major disadvantages of sales promotion are that:

▶It may be hard to terminate certain promotions without adverse customer reactions.

▶The retailer's image may be hurt if trite promotions are used.

▶Frivolous selling points may be stressed rather than the retailer's product assortment, prices, customer services, and other factors.

▶Many sales promotions have only short-term effects.

▶It should be used mostly as a supplement to other promotional forms.

TYPES

Type	Description
Point-of-purchase	Window, floor, and counter displays that allow a retailer to remind customers and stimulate impulse purchases. Sometimes, the displays are supplied by manufacturers.
Contests	Customers compete for prizes by completing a contest (game), such as a crossword puzzle, a slogan, or a football lottery. Winning is at least partially based on a correct answer (skill).
Sweepstakes	Similar to a contest, except that participants merely fill out application forms and the winner is picked at random (chance). No skill is involved. Direct-mail retailers use this tool quite often.
Coupons	Retailers advertise special discounts for customers who redeem advertised coupons. Customers clip coupons from print media or POP displays, and redeem them with the retailer.
Frequent shopper programs	Customers are given points or discounts based on the dollar amounts of their purchases. The points are accumulated to acquire goods or services.
Prizes	Similar to frequent shopper programs, except that the retailer gives prizes immediately, such as glasses, silverware, and others. Usually, one piece of a set is obtained with each purchase.
Samples	Free tastes or smells of items are given to customers.
Demonstrations	Products are shown cleaning up floors, mixing foods, and so on. Services are also demonstrated (e.g., judo instructions).
Referral gifts	Presents or gifts are given to current customers when they bring in new customers.
Matchbooks, pens, calendars, shopping bags, etc.	Items that contain the retailer's name are given to customers.
Special events	Include fashion shows, autograph sessions with book authors, art exhibits, and holiday activities (such as children's rides).

FIGURE **Types of Sales Promotion**

PLANNING A RETAIL PROMOTIONAL STRATEGY

Determining Promotional Objectives

A retailer's broad promotional goals are typically drawn from this list. In developing a promotional strategy, the firm must determine which of these are most important:

▶Increase sales.

▶ Stimulate impulse and reminder buying.

▶Raise customer traffic.

▶ Get leads for sales personnel.

▶ Present and reinforce the retailer image.

▶ Inform customers about goods and services.

▶ Popularize new stores and Web sites.

▶ Capitalize on manufacturer support.

▶Enhance customer relations.

▶ Maintain customer loyalty.

▶ Have consumers pass along positive information to friends and others.

Perhaps the most vital long-term promotion goal for any retailer is to gain positive **word of mouth (WOM)**, which occurs when one consumer talks to others—in person, on the phone, by E-mail, through social media, or in some other format. If a satisfied customer refers friends to a retailer, this can build into a chain of customers.

Establishing an Overall Promotional Budget

There are five main procedures for setting the size of a retail promotional budget. Retailers should weigh the strengths and weaknesses of each technique in relation to their own requirements and constraints. To assist firms in their efforts, there is now computer software available.

Selecting the Promotion Mix

After a budget is set, the promotional mix is determined: the retailer's combination of advertising, public relations, personal selling, and sales promotion. A firm with a limited budget may rely on store displays, Web site traffic, flyers, targeted direct mail, and publicity to generate customer traffic. One with a large budget may rely more on newspaper and TV ads. Retailers often use an assortment of forms to reinforce each other.

The promotional mix is affected by the type of retailer involved. In supermarkets, sampling,

frequent shopper promotions, theme sales, and bonus coupons are among the techniques used most. At upscale stores, there is more attention to personal selling and less to advertising and sales promotion as compared with discounters.

Implementing the Promotional Mix

The implementation of a promotional mix involves choosing which specific media to use (such as Newspaper A and Newspaper B), timing, message content, the makeup of the sales force, specific sales promotion tools, and the responsibility for coordination.

To generate greater awareness of Web retailers, costly advertising may be necessary in today's competitive and cluttered landscape. Netflix has a broad mix of marketing and public relations programs, including digital and television advertising, affiliates and device partners, and social media sites such as Facebook and Twitter to promote its service to potential new members.

After customers have visited a Web site, the retailer can use explicit opt-in marketing to help sustain relationships with the customer. Opt-in marketing involves the customer giving permission for the retailer to send marketing materials, which leads to higher receptivity to marketing messages.

Astute marketers collect preference information, so that content and promotional offers in an E-mail newsletter are relevant to the customer. This leads to an ongoing, evolving relationship between the retailer and the customer.

RETAIL PRICING

"The bitterness of poor quality remains a long after low price is forgotten."
                                        - *Leon M. Cautillo*

We as customers, often get to read advertisements from various retailers saying, "Quality product for right price!" This leads to following questions such as what is the right price and who sets it? What are the factors and strategies that determine the price for what we buy?

The core capability of the retailers lies in pricing the products or services in a right manner to keep the customers happy, recover investment for production, and to generate revenue.

What is Retail Pricing?

The price at which the product is sold to the end customer is called the retail price of the product. Retail price is the summation of the manufacturing cost and all the costs that retailers incur at the time of charging the customer.

Factors Influencing Retail Prices

Retail prices are affected by internal and external factors.

Internal Factors

Internal factors that influence retail prices include the following:

• **Manufacturing Cost:** The retail company considers both, fixed and variable costs of manufacturing the product. The fixed costs does not vary depending upon the production volume. For example, property tax. The variable costs include varying costs of raw material and costs depending upon volume of production. For example, labor.

• **The Predetermined Objectives:** The objective of the retail company varies with time and market situations. If the objective is to increase return on investment, then the company may charge a higher price. If the objective is to increase market share, then it may charge a lower price.

• **Image of the Firm:** The retail company may consider its own image in the market. For example, companies with large goodwill such as Procter & Gamble can demand a higher price for their products.

• **Product Status:** The stage at which the product is in its product life cycle determines its price. At the time of introducing the product in the market, the company may charge lower price for it to attract new customers. When the product is accepted and established in the market, the company increases the price.

- **Promotional Activity:** If the company is spending high cost on advertising and sales promotion, then it keeps product price high in order to recover the cost of investments.

External Factors

External prices that influence retail prices include the following:

- **Competition**: In case of high competition, the prices may be set low to face the competition effectively, and if there is less competition, the prices may be kept high.

- **Buying Power of Consumers:** The sensitivity of the customer towards price variation and purchasing power of the customer contribute to setting price.

- **Government Policies:** Government rules and regulation about manufacturing and announcement of administered prices can increase the price of product.

- **Market Conditions**: If market is under recession, the consumers buying pattern changes. To modify their buying behavior, the product prices are set less.

- **Levels of Channels Involved:** The retailer has to consider number of channels involved from manufacturing to retail and their expectations. The deeper the level of channels, the higher would be the product prices.

Demand-Oriented Pricing Strategy

The price charged is high if there is high demand for the product and low if the demand is low. The methods employed while pricing the product on the basis of demand are:

- **Price Skimming:** Initially the product is charged at a high price that the customer is willing to pay and then it decreases gradually with time.

- **Odd Even Pricing:** The customers perceive prices like 99.99, 11.49 to be cheaper than 100.

- **Penetration Pricing:** Price is reduced to compete with other similar products to allow more customer penetration.

- **Prestige Pricing:** Pricing is done to convey quality of the product.

- **Price Bundling:** The offer of additional product or service is combined with the main product, together with special price.

Cost-Oriented Pricing Strategy

A method of determining prices that takes a retail company's profit objectives and production costs into account. These methods include the following:

Cost plus Pricing: The company sets prices little above the manufacturing cost. For example, if the cost of a product is Rs. 600 per unit and the marketer expects 10 per cent profit, then the selling price is set to Rs. 660.

Mark-up Pricing: The mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price.

The formula used to determine the selling price is:

Selling Price = Average unit cost/Selling price

Break-even Pricing: The retail company determines the level of sales needed to cover all the relevant fixed and variable costs. They break-even when there is neither profit nor loss.

For example, Fixed cost = Rs. 2, 00,000, Variable cost per unit = Rs. 15, and Selling price = Rs. 20.
In this case, the company needs to sell (2,00, 000 / (20-15)) = 40,000 units to break even the fixed cost. Hence, the company may plan to sell at least 40,000 units to be profitable. If it is not possible, then it has to increase the selling price.

The following formula is used to calculate the break-even point:

Contribution = Selling price – Variable cost per unit

Target Return Pricing: The retail company sets prices in order to achieve a particular Return On Investment (ROI).

This can be calculated using the following formula:

> **Target return price = Total costs + (Desired % ROI investment)/Total sales in units**

For example, Total investment = Rs. 10,000,

Desired ROI = 20 per cent,

Total cost = Rs.5000, and

Total expected sales = 1,000 units

Then the target return price will be Rs. 7 per unit as shown below:

Target Return Price = (5000 + (20% * 10,000))/ 1000 = Rs. 7

This method ensures that the price exceeds all costs and contributes to profit.

Early Cash Recovery Pricing: When market forecasts depict short life, it is essential for the price sensitive product segments such as fashion and technology to recover the investment. Sometimes the company anticipates the entry of a larger company in the market. In these cases, the companies price their products to shorten the risks and maximize short-term profit.

Competition-Oriented Pricing Strategy

When a retail company sets the prices for its product depending on how much the competitor is charging for a similar product, it is competition-oriented pricing.

- **Competitor's Parity:** The retail company may set the price as close as the giant competitor in the market.

- **Discount Pricing:** A product is priced at low cost if it is lacking some feature than the competitor's product.

Differential Pricing Strategy

The company may charge different prices for the same product or service.

- **Customer Segment Pricing:** The price is charged differently for customers from different customer segments. For example, customers who purchase online may be charged less as the cost of service is low for the segment of online customers.

- **Time Pricing:** The retailer charges price depending upon time, season, occasions, etc. For example, many resorts charge more for their vacation packages depending on the time of year.

- **Location Pricing:** The retailer charges the price depending on where the customer is located. For example, front-row seats of a drama theater are charged high price than rear-row seats.

Gross margin return on investment (GMROI) shows the relationship between the gross

margin in dollars (total dollar operating profits) and the average inventory investment (at cost) by combining profitability and sales-to-stock measures:

$$\text{GMROI} = \frac{\text{Gross margin in dollars}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Average inventory at Cost}}$$

$$= \frac{\text{Gross margin in dollars}}{\text{Average inventory at cost}}$$

The gross margin in dollars equals net sales minus the cost of goods sold. The gross margin percentage is derived by dividing dollar gross margin by net sales. A sales-to-stock ratio is derived by dividing net sales by average inventory at cost. That ratio may be converted to stock turnover by multiplying it by [(100 - Gross margin percentage)/100].

Gross margin return on investment is a useful concept for several reasons:

►It shows how diverse retailers can prosper. A supermarket may have a gross margin of 20 percent and a sales-to-stock ratio of 15—a GMROI of 300 percent. A women's clothing store may have a gross margin of 50 percent and a sales-to-stock ratio of 6—a GMROI of 300 percent.

Both firms have the same GMROI due to the trade-off between item profitability and turnover.

►It is a good indicator of a manager's performance because it focuses on factors controlled by that person. Interdepartmental comparisons can also be made.

► It is simple to plan and understand, and data collection is easy.

► It can be determined if GMROI performance is consistent with other company goals.

The gross margin percentage and the sales-to-stock ratio must be studied individually. If only overall GMROI is reviewed, performance may be assessed improperly.

BRANDING STRATEGIES IN RETAIL

Retail brands have gained its popularity in the past few years. More over the retail brands are closer to the consumer. There is the more possibility of communication between consumers and the physical share space where one to one marketing is going on. Retailers can able to identify from their store and brands. Generally retailers are silent as the product brand depends upon the liking of consumers. There is a direct relationship between the retailers and the consumers because they are the best person to know the consumer's choice. As trust is the major component in retail business" there by good relation builds good foundation of the total system that will enhance long term relationship with a sense of loyalty. The aim of this study is to identify the impact of branding in Retail industry) of India.

A brand is more than just a logo or a name" it is a complex and dynamic set of consumer beliefs entrenched in consumers' hearts and minds. Building a core brand requires understanding consumer needs and developing a point of difference that is meaningful and sustainable in generating customer loyalty. A strong brand takes a lifetime to build but %t can take moments to destroy. But properly executed" it helps built trust and a preference for a specific retailer. A customer who trusts and likes a certain brand is more likely to buy additional products or services based on loyalty alone

Brand strategy

 It is imperative that retailers have systematic strategy on issues like whether to level of the retail brand or corporate brand and decision Also one product/one brand that they may be selling %% their shop. Retailers can also decide to launch high quality

retailer brands ,'own labels'   backed by pro motional campaigns" reinforcing clear personalities Pricing policies" today position retailer brands good value lines or premium lines (Nilgiris department stores prices its grocery lines above manufacture brand prices). The view that retailer brands offer cheaper alternative to manufacturer brand is no longer valid.

BRAND EQUITY

A **brand** is a distinguishing name or symbol, such as a logo, that identifies the products or services offered by a seller and differentiates those products and services from the offerings of competitors. 1 In a retailing context, the name of the retailer is a brand that indicates to consumers the type of merchandise and services offered by that retailer.

Value of Brand Image

Brands provide value to both customers and retailers. Brands convey information to consumers about the nature of the shopping experience—the retailer's mix— they will encounter when patronizing a retailer. They also affect customers' confidence in their decisions to buy merchandise from a retailer. Finally, brands can enhance customers' satisfaction with the merchandise and services they buy.

The value that a brand image offers retailers is referred to as **brand equity.** Strong brand names can affect the customer's decision-making process, motivate repeat visits and purchases, and build loyalty. In addition, strong brand names enable retailers to charge higher prices and lower their marketing costs.

A strong brand image also enables retailers to increase their margins. When retailers have high customer loyalty, they can engage in premium pricing and reduce their reliance on price promotions to attract customers. Brands with weaker images are forced to offer low prices and frequent sales to maintain their market share.

Finally, retailers with strong brand names can leverage their brands to introduce new retail concepts with only a limited amount of marketing effort.

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