

Unit II

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NATURE OF STRATEGIC RETAIL PLANNING:

Strategic retail planning is the process by which a retailer plans the future actions of a firm by anticipating the environmental changes and business patterns. It helps the retailer to anticipate the opportunities and threats that the retail firm may encounter and take suitable and timely action. Strategic planning is futuristic in nature and tends to prepare the firm for future challenges.

Strategic planning requires a coordinated approach and therefore all departments of the retail organization should be well coordinated. Horizontal information sharing' should be encouraged. This would ensure that each group would have an understanding of what the rest of the organization is doing or is planning to do. Vertical information sharing' is also essential as it generates interest in all employees of the store. It can help reduce inconsistencies between lower-level planning and upper-level planning.

Strategic planning is generally done annually. However, with increasing competition, there is growing need to take up strategic planning more frequently. Moreover, due to the changes in customers buying patterns, economy and business dynamics, the retailer may need to re-pan its strategies. However, irrespective of the frequency of planning , strategic plans should be comprehensive and realistic.

Some retailing strategies adopted by retailers are:

- **Immediacy merchandising:**
 - Which involves lowering the prices of the products to facilitate fast movement of merchandise .
- **Relationship retailing :**

Here the retailers tries to attract and retail its customers by building a long-term relationship with them by special promotional offers, discounts, etc.,

BUILDING SUSTAINABLE COMPETITIVE ADVANTAGE :

After establishing the retail format and defining the target market, the retailer should formulate a retail strategy that would help it differentiate its store from its competitors. For example, the success of Wal-Mart is attributed to strong competitive strategy. The retail strategy chiefly guided by the five dimensions of price, location, merchandise. service and communications. The effect of each of the dimensions can be understood of its examination and analysis of the retailer's position with regard to that of its competitors.

Location

Generally, unless a retailer has high drawing power, it is the location that determines the customer traffic for a store and the customer traffic for an area broadly remains the same irrespective of the existence of a particular store. Hence, location strategy of stores with low

drawing power is aimed at attracting the customer traffic that is directed to a particular location. By taking competition in good spirit and making efforts to address the unfulfilled needs of customers, all can make retailers considerable profits.

Merchandise

Merchandise mix refers to the total range of products that a store offers to its customers, The merchandise being offered by a store determines the perception of the customers with regard to the store. It is not necessary retailers to follow low-price and bargaining patterns if they maintain merchandise that is unique,

Retailers also differentiate themselves from others on the basis of the merchandise they offer by creating in-house brands of merchandise. Retailers have to make a choice between maintaining a wide variety or deep assortment because opting for both would increase the inventory costs undesirably, making the firm uncompetitive. However, some big retailers like Sears and JC Penney manage to equip their stores with both wide variety and deep assortments.

Price:

The relative strategic positioning of a retailer can be determined by its margin- turnover proportion. It is very difficult for a retailer to achieve high turnover and high margins simultaneously because if it increases the price, its customers will drift away to other retailers. Similarly, it is not possible for a retailer to sustain in the market place in spite of low margins. if it has a low turnover. This leaves the retailers with only two choices -- either to maintain high turnover by keeping low margins or to keep higher margins in spite of the low turnover. Wal-Mart is a good example for the former while JC Penney adopts the latter practice.

Service.

The retailer should determine well in advance, the level of service he wishes to provide for particular merchandise. If a retailer chooses to provide service which involves high costs for a low-priced merchandise, it would not provide any advantage to the retailer and the customers would not be satisfied and this would work in favour of the competitors.

However, if a retailer selling high-end merchandise provides good/superior service, customers would be delighted and would become loyal customers for the retailer. Thus, the retailer can gain strategic advantage over its competitors by offering good customer service. However, retailers selling low-priced merchandise need not necessarily provide additional or a wide variety of services. Such retailers can minimize service costs by providing just basic services and keeping the customers happy both price wise and service wise.

Communications:

The market strategy of a retailer would be incomplete and ineffective if no effort is made to reach out to the potential customers. While designing the communication policy, a retailer must take care of four strategic dimensions:

- reach
- frequency
- content

- personalization.

Reach refers to the number of people who see an advertisement at least once. Frequency is the average number of times that a customer sees the advertisement. Content refers to the image the retailer wishes to project. Personalization is the ability to provide customized communication to customers through direct mailers or telephone using customer database.

RETAILING ENVIRONMENT

Like any other industry, the retail industry is also affected by the external environment. Some of the constituents of the external environment, which have an impact on a retail organization, are

- Economic environment
- Legal environment
- Technological environment
- Competitive environment

Economic Environment

The nature of the economic system (capitalism, socialism) in a country has a direct impact on the retailer's business. Therefore, a retailer should have a thorough understanding of the various economic factors of a country that would influence their operations and profitability.

Some of the economic factors that affect the retailer are - Gross domestic product, rate of inflation, power, interest rates, tax levels, employment growth etc. High growth rate of GDP (in real terms) implies that consumers have more income and hence, they spend more, resulting in higher sales and more profits for retailers. On the other hand, increase in inflation leads to a decrease in the purchasing power of the consumers.

Legal Environment

Governments use various laws and regulations to ensure that retailers do not indulge in unfair trade practices. But most of the times, these regulations hamper the growth of the retail industry. Some of the legal and regulator problems that retailers face in India are; Restriction on Foreign Direct Investment (FDI), property regulations, and complex taxation system.

Labour laws

Unfriendly labour laws are another issue of concern for the retailers. Retailers require additional workforce to meet the increase in customer in-flow in the festival season. But Indian labour laws do not allow the retailer to hire people as temporary workers for a few days.

Technological Environment

Technology is one of the most important drivers of change in the retail industry. The computerization of various retail store operations like inventory management, billing, data base management and the wide spread use of bar code scanners, computers, point-of-sale terminals, management information systems etc. have brought a sea change in the way retailing is conducted in India.

Retailers are also using technology to improve the shopping environment and to provide a pleasant shopping experience to the customer.

Competitive Environment

Though the retailing industry is in its nascent stage in India, there is severe competition among the existing players. Moreover, the huge untapped potential is encouraging many players to venture into retailing.

Apart from the existing competition in the organized retail sector, organized retailers are also being affected by the stiff competition posed by traditional stores in the unorganized sector. The competition among retailers varies depending on the way the retail operations are carried out and which entity of the distribution channel carries out these retail operations

CLASSIFICATION OF RETAILERS:

Retailing ranges from hawkers and pedlars to hyper market.

Classification of retailers are given below

I. Itinerant Retailers:

1. Pedlars and Hawkers
2. Cheap jacks
3. Market traders
4. Street traders.

II. Fixed Shop Retailers:

1. Street stall holders
2. Second-hand goods dealers
3. Speciality goods shops
4. General shops..

III. Small-Scale Retailers:

1. Independent stores
2. Automatic vending
3. Discount houses
4. Syndicate stores.

IV Large Scale Retailers

1. Departmental stores
- 2 Multiple shops
3. Mail order shops

4. Hire purchase and instalment
5. Cooperative stores
6. Super markets
7. Hyper markets
8. Franchising
9. Shopping malls.

I. Itinerant Retailers:

Itinerant means travelling from place to place. Itinerant retailers have no fixed place of business. They move from place to place for selling their goods to the consumers. They sell in small quantities. They invest a very small amount of capital. They deal in varieties of goods. Itinerant retailers may be –

- (i) Hawkers and pedlars (ii) cheap jacks (ii) market traders; and (iv) street traders.

1. Pedlars and Hawkers:

Pedlars are those retailers who carry goods in hand cart to sell them at the doors of consumers. To hawk means to sell goods in the streets or by knocking on people's doors. A hawker means someone who hawks goods. Generally, hawkers carry goods on their heads. They persuade people to accept goods which may be of low quality. So, the price charged by hawkers is lower than the market price. They move from place to place with limited stock.

2. Cheap Jacks :

Cheap jacks are different from hawkers and pedlars. They have an independent shop. But, the shop is not a permanent one. If business at one place is not profitable, cheap jacks will choose some other location. So, they frequently change their place of business in search of 'greener pastures'. Cheap jacks know the art of selling and are well versed with all tricks of the trade.

3. Market traders:

Market traders, as the name itself implies, open their shops on market days. Market days vary from place to place, being conducted on weekly or monthly basis. Market traders perform business only when the market is open. They open their shops at different places, on different days whenever the market is open. For example, 'Sunday Market' in Pondicherry is very popular among shoppers.

4. Street traders :

As the name itself suggests street traders carry on their business in busy streets. Aiming at the floating population, they choose bus stops, railway stations, government and commercial offices and educational institutions to do business. They deal in one kind of goods at a time that are in high demand.

II. Fixed Shop Retailers :

Fixed shop retailers have a permanent place of business. They include) street stall holders (i) second-hand good dealers (ii) speciality shops; and (iv) general shops.

1. Street stallholders:

Street stallholders put up their stalls where there is heavy pedestrian movement. Having selected a location with utmost care, they retain that place of business. It becomes a permanent place of business to them. They get their supplies from wholesalers and suppliers operating in their area. The street stallholders deal in varieties of goods like pen, torch lights, nail cutters, time pieces, socks, belts, locks, small tools, etc. hey display the goods in such a way that they attract the attention of customers. They also decorate their shops to some extent.

2. Second hand goods dealers :

These retailers sell second hand goods Such as books, furniture, television sets, radios, cloth, etc. Customers who cannot afford to buy new goods at market price buy second hand goods at cheaper prices. Second goods dealers do not give any guarantee or the goods they sell. Moore Market in Madras is quite famous for buying second-hand goods.

3. Speciality shops: Speciality shops deal in a particular variety of goods, They sell only one line of goods - books, leather goods, toys, watches, electronic goods, furniture, kitchen articles, etc. Customers while buying from speciality shops enjoy a wide choice of goods.

4. General shops: General shops sell goods that are required for day-to-day use. General shops deal in a wide assortment of goods such as gift articles, biscuits, plastics, foot wear, flasks, soap, oil, etc. General shops employ sales persons who are well trained in selling. They are located where people find shopping convenient. Customers buy from general shops for their monthly requirements. Sometimes, they are given credit facility and free home delivery too.

III. Small Scale Retailers :

Small size retail shops include independent stores, automatic vending, discount houses, and syndicate stores.

1. Independent stores:

Independent stores are small in size and have lesser degree of specialisation in their management. They enjoy flexibility of operation and freedom of action. The owner of the shop makes his own decisions on buying, selling, pricing, working hours, sales promotion, terms of sales, etc. Such small scale retailers obtain their supplies from wholesalers. Small scale retailers are known for their liberal credit policy, door service, and serving the individual needs.

2. Automatic vending:

Sale through vending machines has become the order of the day in advanced countries. Vending machines automatically vend a particular variety of merchandise. They operate without the presence of sales persons. These are coin-operated machines. When the buyer inserts the required coin, the merchandise is automatically pushed out. In railway stations, for example, platform tickets are sold through vending machines. It is also called robot retailing. Generally, merchandise of uniform size and low unit value are suitable for automatic vending.

3. Discount houses :

Now-a-days, discount houses are increasingly becoming important. Discount houses deal with a large section of general merchandise. These retail shops offer large discounts to customers on certain types of merchandise. Goods like jewellery, household appliances, furniture which carry a higher margin are offered at discounted prices. Discount houses do not give importance to customer services.

4. Syndicate stores:

Syndicate stores are the extended forms of chain and mail order houses. They operate on a small scale. They do not deal in national brands of merchandise. The merchandise they sell are their own. Generally, the brands are not known by customers. Syndicate stores buy unbranded goods and resell them under their own brand names. Sometimes, in addition to their own brands, they sell other branded products.

IV. Large Scale Retailers :

The large shops which operate on large scale include (i) department stores (ii) chain or multiple stores (iii) mail order shops (iv) hire purchase and instalment (v) co operative stores (vi) super markets (vi) hyper markets; and (vii) shopping malls’.

(1). Departmental stores:

Departmental stores are of French origin. Departmental stores came into existence in 19 century. Department stores are large scale retail stores selling under one roof under a single control. They deal in a variety of goods. They are divided into different departments, each selling particular merchandise. All the departments have centralised control on advertising, sales promotion, accounting, credit, employment, etc

(2) Chain or multiple stores:

Under this type, similar shops are established in many places by a same management. Chain stores originated in America. It is a network of a number of branches situated at different localities in the city or in different parts of the country. It is a group of retail stores which are of similar kind. They are centrally owned. Some degree of centralised control of operations is exercised over chain stores.

(3). Mail order shops:

Under mail order method, products are sold through mail. So, in mail order business, post offices plays an important role. This system is also referred to as shopping by post.

The mail order houses advertise the products they sell. They approach customers through printed catalogue, cards, leaflets giving all the necessary details of the product. Customers select goods by going through the mail list and place orders by mail. Without any salesman, wide publicity is given about products.

(4) Hire Purchase and Instalments:

Under hire purchase system, the seller agrees to sell the article on the condition that the buyer shall pay the purchase price through instalments. Ownership of the goods is transferred

from seller to buyer only on the payment of last instalment. So, if the buyer defaults to pay the instalment amount, the goods will be repossessed by the seller.

Under instalment system, the seller agrees to sell the article and collect the cash price along with the interest in convenient instalments. After entering the agreement, the amount paid first is known as down payment. The ownership of the goods is transferred from the seller to buyer on down payment. So, in case of default payment, seller cannot repossess the goods.

(5). Co-operative stores:

A consumer cooperative stores is a retail unit owned and controlled by consumers. Any consumer can join the consumer cooperative store by buying its shares. Each member has only one vote irrespective of his shareholding. Members get dividend in proportion to their shares held in the cooperative store. Co-operative stores are run by the consumers themselves for the mutual benefits.

(6) Supermarkets:

These are large self service outlets, offering a variety of categories with deep assortments. This format meets the needs for food, groceries and other non-food items. The super store and the combination store are the variants of this business model. A superstore is larger than a conventional super market. A combination store is a superstore and full-line pharmacy. Example of supermarkets in India include Nilgiris, Foodworld, Food Bazaar, More, Reliance Fresh.

(7) Hyper Market

The origin of the word hypermarket is the French word hypermarket which is a combination of a supermarket and a department store. Hypermarkets are similar to one stop shopping. Cheapest prices are found. They are part of a retail park with other shops, cafeterias and restaurants. They may have their own station on the site. Other facilities available on the site include banks with cash machines, photo processing shops and pharmacies. This business model is followed by Wal-Mart, Carrefour, Merjer, Tesco etc.

(8) Franchising:

Franchise means privilege. A franchise is a conditional right given to a retailer to market the company's products and services under the banner of the franchiser. In franchising, the franchiser (manufacturer) licenses his brand name, business process or format, product, service or reputation to the franchisee (retailer) in return for fees and royalties.

(9) Shopping malls:

A shopping mall consists of a number of retail outlets in large building of at least 1,00,000 square feet in size. The mall is a covered building with open pedestrian walkways which are lined with shops linking the retailers' site. When the mall is more than one floor high, the major anchor stores extend to each of the floors. The mall development may be free-standing or within an existing shopping area. The success of a mall depends upon the range and quality of shops it can attract. The mall is likely to attract even non-discount retailers.

Television Shopping

Asian sky shop is the pioneer in television shopping in India. The products is advertised on television. Details about the product features, price like guarantee or warranty are explained. Calling the phone numbers, buyers can place the order for the desired product. Products ordered are then home delivered.

Electronic Shopping

This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. The customer can shop and order through the internet and the merchandise is dropped at the customer's doorsteps. E-tailers accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. Defective products and non-secure credit card transactions are the worry of the customers. Amazon.com, pennyful, eBay are some online retailers.

Kiosks

This form of automated vending provides convenience to customers. They have access to the products round the clock. KIOSKS are used to sell routinely purchased items like soft drinks, candy, newspapers, etc. The automated teller machines (ATMs) operated by banks are a successful example. KIOSKS have their wide applications and use.

Service Retail

Services are intangible. The level of intangibility varies from another. one service to For instance laundering of clothes, car rentals are a service which is tangible to some extent. On the contrary, Life insurance, investments in securities are intangible in nature. Provision of electricity, gas and service contracts which may be entered into for maintenance services of air conditioned machines, computer systems etc., is identified as retail of services. Likewise, retail banking is offered by commercial banks to individual customers

THE MARKETING OF SERVICES

Definition:

According to Kolter, "A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may may not be tied to a physical product."

According to Berry and Parasuraman, "A service is an intangible product involving a deed. a performance or an effort that cannot be physically possessed."

Characteristics of Services :

Services have a number of unique characteristics that make them so different from products. Some of the most commonly accepted characteristics are:

1. Intangibility
2. Inseparability
3. Heterogeneity,
- 4 . Perishability
5. Ownership

1. Intangibility:

Before and after buying a physical product like, powder, the customer can see, feel, touch quality. tooth paste, or soap or talcum powder, the customer can see, feel or touch and smell and use it to check its effectiveness and quality . But intangibility of services means there is no such aspects and a service cannot be seen, touched, tasted or smelt. For instance, a lady going to a beauty –parlour for facial cannot know how would he look afterwards unless the service is performed. The intangible characteristics of services which make them distinct from products are:

- A service cannot be touched or tasted;
- Precise standardisation is not possible; There is no ownership transfer;
- A service cannot be patented; There is no inventories of services; Production and consumption are inseparable;
- The customers ought to have faith in the person providing service;
- Services cannot be readily displayed or communicated.

2. Inseparability (Simultaneity):

In case of tangible products, their production and consumption are two separate activities and consumers are not a part of the production. Goods are generally produced in some central location at different times, stored and transported to those locations where there is existing or potential demand.

In personal care services, the customer must be present during the entire production process, for instance, a patient has to be there while a Surgeon is performing a surgery. The services of a machine can only be realised when the consumers interact with the machine, for instance, a bank ATM machine. Inseparability happens in both the cases when the service is provided by a human being or by a machine.

Inseparability has a number of important marketing implications for services:

- Both, the production and consumption of services take place simultaneously.
- Service cannot be separated from the person providing it.
- Services, such as education, health-care, hairstyling etc. the service provider is the service in the eyes of consumer.

A plumber has to be physically present to provide the service. Similarly, the beautician has to be available to provide the service, that is beauty. That is, services cannot be separated from the service providers. Stay in a hotel room, or travel in a bus or train cannot be separated from the provider of such services.

3. Heterogeneity (Variability):

The services are variable because of:

- Equipment-based services are less variable than human-based services.

- The inseparability of the service from the provider leads to some variability. Variability automatically enters in the picture depending on the person performing the service
- The service delivery of the same employee can vary from customer to customer, day to day or even hour to hour in the same day.
- Variability is inherent in human-based services. Thus it is impossible to bring consistency in service.

The behaviour of persons varies from person to person because this is subject to emotion, stress and feelings of every individual. Persons show different behaviour in different situations. Every visit to the hair-dresser's shop gives you different experience because your behaviour and that of the hair-dresser is not the same in every visit. Since the human element is very much involved in providing and rendering service, variations are normal and standardization is very difficult to achieve. Even the same doctor who gave his complete attention during a patient's last visit may behave a little differently the next time.

4. Perishability (Transience):

Manufactured goods can be stored for future consumption whereas services cannot be stored. It is possible for the manufacturer to store and manage inventory levels to suit different market situations and demand patterns. The services in contrast neither can be stored nor can be carried forward. If few seats are lying vacant in an aeroplane, they cannot be stored or carried forward for the next trip.

The peculiar features are:

- A service has a high degree of perishability.
- Time element assumes unique importance.
- If a service is not used today, it is lost forever.
- Unutilised services are economic losses.
- Mass production is difficult.
- Services cannot be returned or resold.

A person unemployed, a ship loaded to only 60% of its capacity, ie. 40% is empty, vacant rooms in Five Star hotels, a house unoccupied, credit facility not used, unsold seats in a cinema hall, etc. are illustrations representing perishable nature of service and business which are lost forever.

5. Ownership:

Service is intangible in nature. So, physical possession of a service is not possible. Without physical possession, transfer of title is not possible. That is, in the case of a service. one may pay for its use but one never owns it. The buyer is merely buying the right to a service process, such as the use of a car park or an Accountant's time. A service is purchased or hired for the benefit it provides to its user.

Types of Service Sector

Traditional Services:

- Utilities - such as, electricity, water supply, etc.
- Transport Services rail, road, air, water etc.
- Communication Services Post and Telegraph, Telephone, Telecasting, Broadcasting, etc. Entertainment Services Cinema, clubs, video games, Amusement parks, etc.
- Educational services Legal Services Accountancy Services Health, family welfare service Banking Services Banks, Stock brokers etc.
- Distributive Trade - Wholesale, Retail, Dealers, Agents etc

Modern Services

- Travel Agency
- Advertising
- Public Relations
- Market Research
- Courier Service Health Clubs

Latest and New Generation Services

- Business Services
- Recruitment Services
- Computer Training
- E_Commerce
- Internet
- Fax
- Computer Maintenance
- Management Consultancy Technical Consultancy
- Video Conferencing etc.

Choosing Services

No retailer can provide services that address the complete needs and expectations of customers. Neither is it desirable to incorporate all service expectations of customers. Retailers need to carefully choose the services that they wish to offer. Some kinds of Services support merchandise sales while others help in building the overall image of the stores. Beauty advisors in Health and Glow stores, gift advisors at the gift stores or gift sections of retail stores, music juke box at Cafe Coffee Day, are some examples of services being provided by retailers.

Retailers should understand the customers' service expectations from them and take every care to provide those services. To understand the customer service expectations better, retailers broadly classify the services into three categories:

- Services that provide convenience
- Services that facilitate sales
- Auxiliary services

Services that provide convenience:

There are certain services that form a basic part of any retail store and make shopping convenient for the shoppers. For example, convenient shopping hours, proper layout, friendly store personnel, parking facilities convenient location etc. With the advent of technology, certain services like electronic shopping carts (that display the special offers or discounts for the day as the customer passes by the merchandise row) and the computers kiosks (that help in locating the merchandise that the customer is looking for) are very valuable for customers.

Services that facilitate sales:

Certain services are provided only if a minimum amount of purchase is made by the customer. Credit facilities, installation and free delivery facilitate the sales for the retailer. Sometimes, customers hesitate to buy the goods if these services are not provided. This is generally true for high cost merchandise. luxury Credit cards and instalment buying have now become a common practice. By providing instalment options, retailers allow the customer to buy the product immediately and pay Such for it later in the credit terms that are convenient to him. flexibility allows the customers to buy more sales products and thus results in more for the retailer. However, retailers face difficulties such as: deciding which customers to offer credit how to deal with to, how much credit to offer, how to fix the credit limit and bad debts.

Retailers take credit decisions on the basis of factors like customers' competitors' credit services and the expectations, returns that they expect for the services provided. These kinds of services would generally offer benefits like increased sales volumes, rise in sales of expensive items and consistent sales throughout the month.

These days, most customers prefer to use credit cards rather than carry huge amounts of cash. Hence, retailers have started accepting credit cards. Though credit cards are easy to use, retailers' incur some costs to provide this service.

Auxiliary services:

Services like home delivery, mail orders, baby-sitting, gift wrapping, check cashing, etc. are referred to as auxiliary services. These services help the retailers serve the customers better.

Selecting which services to offer:

A careful examination of the needs of customers helps the retailer understand the expectations of customers and choose the services that can be offered free of cost and the services that can be offered at a nominal cost like home delivery of purchase a products. Shopping is a leisure activity for some customers while and some others shop only when they feel the need. Therefore, the kind of services needed by different customer groups also varies.