

**DEPARTMENT OF BUSINESS ADMINISTRATION
GOVERNMENT ARTS COLLEGE(AUTONOMOUS), COIMBATORE-641018.**

RETAIL MANAGEMENT

UNIT-I

Retailing – Meaning – Characteristics and Functions – Retail Marketing management - channels – role of intermediaries – Retail marketing mix.

UNIT II:

Retail planning and strategy – sustainable competitive advantage – Retail environment - Classification of retailers – Services Retailing – characteristics – types.

UNIT III:

Retail location – Importance of location decision – Types - Location decision and its determining factors – Merchandising – Features – Private labels – types – reasons.

UNIT IV:

Retailing in India – Importance – Factors influencing growth - Major retailing segment in India – careers in retail - Challenges of retail industry – FDI in retail.

UNIT V:

Retail administration – components – Retail sales and service – roles and responsibilities of a retail salesperson - Importance of IT in retail - SCM in retail – features – E-tailing – types.

Text book:

Introduction to Retailing –P.K.Madhavan,Vijay Nicole imprints P Ltd., Publications, Chennai.

Reference books:

1. Retail Management – Barry Berman & Joel R. Evans, Prentice Hall of India, New Delhi.
2. Retailing Management – Text and Cases, Swapna Pradhan, Tata McGraw Hill, II Edition 2004.
3. Retail Management-Chetanbajaj, RahnishTuli and Nidhi V.Srivastava, Oxford University Press, New Delhi.
4. Retail Management, S.L.Gupta, Wisdom Publications, Delhi.
5. Retail Management- Dr.L. Natrajan, Margham Publications.
6. Retail Management-ICFAI Center for Management Research.
7. Retail Environment- Saroj Kumar, Veera Karoli, Bhanu Prakash Verma- Thakur Publishers.
8. Marketing Management- R.S.N. Pillai, Bagavathi.-S.Chand & Company Pvt.Ltd.

UNIT-I

Subject Name	Sub Code	Semester	Prepared by
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RETAILING- MEANING

The term retailing is derived from the French word retailer which means 'a piece of' or 'to cut off'. This implies the breaking of bulk quantities of the retailer. The retailer acquires large quantities of the products and cuts them up into smaller amounts to be sold to individual consumers. However, a comprehensive retail marketing function requires a combination of many activities.

CHARACTERISTICS OF RETAILING:

Retailers are referred to as middlemen or intermediaries. They occupy a middle position, receiving and passing on products from producers and wholesalers to customers. Services carried out by retailers are different from those of wholesalers. The characteristics of retailers are listed below.

1. Marketing orientation: Retailing is a dynamic industry. It keeps growing by moving retail operations into new markets. Markets are ever-changing and characterized by risk and threat. Retail marketing therefore, requires different types of decisions to be made in the complexity of the situations.

2. Multi-channel retailing: Retailers act of operations is tilted more to serve sophisticated consumers. Recently, the impact of e-retailing as received considerable attention. The success model for, most retail sectors is multi-channel retailing.

(a) In the extended channel of retail distribution, manufacturer, wholesaler and retailer provide a chain of facilitating services in order to sell the right product to the final customers.

(b) In the limited channel, a retailer works directly with the producer.

(a) In the direct channel, the product is sold direct by using direct mailing, Internet services, telephone sales, etc. However, the traditional supply channel for retail products is- raw materials, manufacturer, wholesaler, retailer.

3. Innovative methods of thinking and planning: Successful retailing requires innovative methods of thinking and planning. New idea is generated to take advantage of opportunities or to improve existing methods of marketing. Retailers make clear propositions of their retail offer.

4. Right environment: A retailer has to create the right environment, offer additional advantages and value or loyalty schemes in order to ensure that the customer is offered a comprehensive package of benefits.

5. Unique characteristics' of a retailer:

- (i) The retailer's interface with the customer is service-based.
- (ii) Retailers sell small quantities of items on a frequent basis.
- (iii) Retailers provide convenience in terms of location, credit facilities, range of merchandise, after – sales service, etc.
- (iv) Retailers offer selection an assortment of merchandise related to the target market in order to provide choice.
- (v) Retailers trade with general public.
- (vi) Retailers normally charge higher unit prices than a wholesaler.
- (vi) A retailer's pricing policy is simpler than that of the wholesaler.

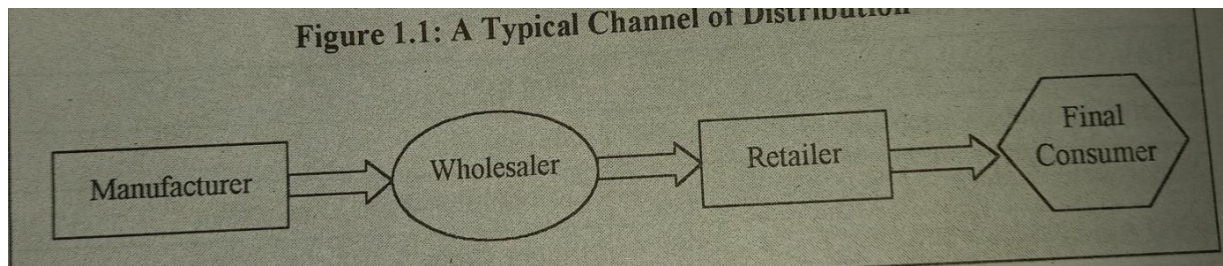
FUNCTIONS OF RETAILING

Generally, retailers are involved in the following functions:

- 1. Function of breaking bulk:** Retailers break up large quantities to smaller units such as individual cans, bottles, packets, appropriate for consumer use.
- 2. Function of creating place utility:** Retailers create place utility by transporting' goods to the point of consumption.
- 3. Stocking Varieties of goods:** Retailers buy varieties of goods from various manufactures or wholesalers. -Thus, a retailer provides a wide range of choice enabling the consumers to select the products of their choice.
- 4. Providing credit facilities to customers:** Retailers grant credit facilities to consumers and thus increase their short-term purchasing power.
- 5. Providing information to customers and wholesalers:** Retailers act as a link between the buyer sand wholesalers/manufacturers. In the distribution channel, retailers are in direct contact with customers. Retailers supply market information to manufacturers either directly or through wholesalers.
- 6. Estimating the demand and arranging the purchase of the product:** Retailers create demand for products by communicating with their customers. This demand creation is quite helpful for manufacturers and wholesalers.
- 7. Acting as consumer's agent:** The retailers anticipate the wants of the consumers and then supply them the right kind of goods at reasonable price. Their job is to make the consumers buying as easy and convenient as possible.
- 8- Marketing functions:** Retailers perform several marketing functions such as sales promotion, advertising and point of purchase display. They induce customers to buy products of reputed companies.
- 9. Connecting link:** The retailers are the connecting link between the wholesaler and the ultimate consumer.

RETAILERS' ROLE IN DISTRIBUTION CHANNEL:

A retailer is the last entity in the distribution channel. Retailers include all businesses and individuals who actively participate in the transfer of ownership of goods and services to their end users. The following figure depicts a typical distribution channel



A retailer usually plays the role of an intermediary, which links the producers, wholesalers and other suppliers with consumers. Companies generally prefer to specialize in manufacturing of products, leaving the task of selling the products to an outside party i.e. few wholesalers or retailers.

A middleman participates in marketing channel at points between the producer and final buyer. The American Marketing Association defines middlemen in following words. "A middleman is one who specialises in performing or rendering services that are directly involved in the purchase and sale of goods in the process of their flow from producer to final buyer."

Retailers play a major role in providing product related information to their consumers. Retailers use advertising and in-store salespersons to provide product information, which helps the consumer to simplify his purchasing process.

Benefits to Manufactures and Wholesaler:

Manufacturers and wholesalers consider retailing as a channel for delivering their products/services to the end customer. By selling products and services (of a manufacturer on a much larger sale), retailers provide the manufacturer with greater revenues, which could be reinvested in production.) Thus, retailers play a major role in smoothing out the variation between the production and sales of the manufacturer's products. Retailers function as the sensory organs of manufacturers. (While designing products or upgrading an existing product, manufacturers depend on retailers to gather information regarding the tastes and preferences of customers. Retailers provide feedback on the goods and services offered by them. This helps them to make modifications to the existing products or launch new products to satisfy the needs of customers.

Retailers also share some of the risks of-the manufacturer by paying for the goods before they are actually sold to the final customer. A retailer is exposed to three types of obsolescence-risks:

- Physical obsolescence
- Technological obsolescence risk
- Fashion obsolescence risk

Physical obsolescence risk arises from the damage or-wear out caused to the products while they are stored in the retail outlet. This type of risk is common stores in dealing handicrafts, books, greeting cards, gift items etc) Retailers dealing in high technology products that are upgraded very frequently face the risk of technological obsolescence. Retailers who deal in personal computers and computer components face this risk quite often. In this industry (computer), upgraded versions are introduced very frequently and these are

available at a lesser price than that of the lower versions, which may result in severe losses for the retailer fashion obsolescence risk is very common for a retailer who deal in merchandise of varying style, design or color.

Benefits to the economy:

The retailing business is the largest private industry in the world with turnover of US \$6.6 trillion. or world (Retailing plays a crucial role in the management of world economy and retailers constitute a tenth of the Fortune 500 Companies. In India’s retailing accounts for over 10 per cent of the country's GDP and around eight per cent of the employment, only next to the agricultural industry.

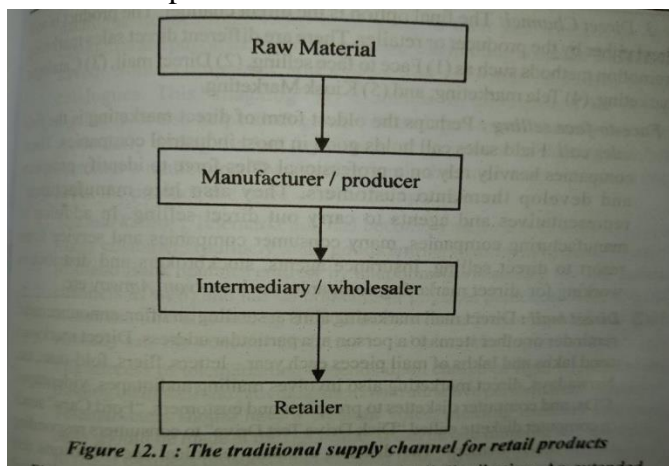
TYPES OF CHANNELS:

The channels from retailing point of view may be divided into

- (1) Extended channel,
- 2) Limited channel; and
- (3) Direct channel.

1. Extended channel:

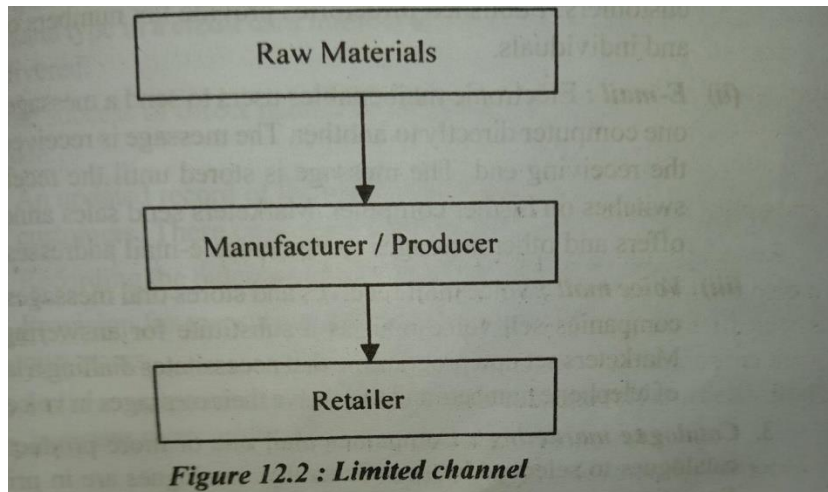
Today, an extended channel of retail distribution has become indispensable



The above diagram depicts an extended products channel of retail distribution. An extended channel is one where the manufacturer, wholesaler and retailer provide a chain of facilitating services in order to sell the right product to the final customer. Supply chain management requires a holistic view of these activities. The approach to the organisation should be innovative to meet the customer's needs.

2. The limited channel:

In the limited channel, the retailer works directly with the producer. The retailer eliminates the wholesaler and the extra costs that goes with it. The retailers of furniture, white goods, electrical goods etc., often deal directly with the supplier. Figure 12.2 shows the details of the limited channel.



3. Direct Channel:

The final option is the direct channel. The product is sold either by the producer or retailer. There are different direct sales promotion methods such as (1) Face to face selling, (2) Direct mail, (3) catalogue marketing, (4) Tele marketing; and (5) Kiosk Marketing.

i. Face-to-face selling:

Perhaps the oldest form of direct marketing is the field sales call. Field sales call holds good in most industrial companies. The companies heavily rely on professional sales force to identify and develop them into customers. They also hire manufacturers representatives and agents to carry out direct selling. In addition to manufacturing companies, many consumer companies and service firms resort to direct selling. Insurance agents, stock brokers and distributors working for direct marketing companies such as Avon, Amway etc.

ii. Direct mail:

Direct mail marketing aims at sending an offer, announcement reminder or other items to a person at a particular address. Direct marketers send lakhs and lakhs of mail pieces each year-letters, fliers, fold-outs, etc. Nowadays, direct marketing also involves mailing audiotapes, videotapes, CDs, and computer diskettes to prospects and customers. However, three new forms of sending mail have created a sensation. They are – Fax mail, E-mail and Voice-mail.

iii. Fax mail:

Through fax mail, one can send a paper-based message (text/picture) to another, anywhere in the globe over telephone lines. Computers also serve as fax machines. The unique feature of fax mail is that the message sent is received instantaneously. Marketers send fax mail

announcing offers, orders and events to prospects and customers. Published directories provide fax numbers of companies and individuals.

iv **E-mail:**

Electronic mail enables users to send a message or file through one computer directly to another. The message is received instantly at the receiving end. The message is stored until the receiving person switches on his/her computer. Marketers send sales announcements offers and other messages to numerous e-mail addresses

v. **Voice mail:**

Voice mail receives and stores oral messages. Telephone companies sell voice mail as a substitute for answering machine. Marketers set up a programme that necessitates dialling a large number of telephone numbers and they leave their messages in voice mail boxes

3. Catalogue marketing:

In catalogue marketing, the company should manage its customer lists carefully. Some catalogue houses mail video catalogues to their best customers. When catalogues are put on the internet, printing and mailing costs are considerably saved. The justification is that "the more customers know about the product, the more will be their purchasers"

4. Telemarketing:

Telemarketing has become a major direct marketing tool. Many customers routinely order goods and services by telephone. The success of telemarketing depends upon choice of right telemarketers, training them well and providing them with attractive performance incentives. Telemarketers should have a pleasant voice, pleasing manners and their calls should be made at the right time.

5. Kiosk marketing :

Kiosks are customers' order placing machines. These are in contrast to vending machines which dispense actual products. Kiosks are placed in stores, airports and at other prominent locations. For example, a shoe company may place its machine in several of its stores. In this machine, the customer may indicate the type of pair of shoes he wants and its size. Pictures of shoes that meet his requirements flash on the screen. If the particular shoes are available in the stores, the customer can dial an attached phone and type in a credit card number and address where the shoes should be delivered.

RETAIL MARKETING MIX:

The basic function of retail is to provide the right goods to the consumer, at the right place and time. However, in today's competitive world, how does a retailer inform the customers about the products that he has on offer? How does he attract them to visit and shop at his store? How does he achieve the sales targets? The marketing tools that a retail organization uses to pursue its marketing objectives are termed as the retail marketing mix.

The components of the retail marketing mix are

1) Product:

One of the main elements of the retail marketing mix is the product/s and/or the services that the store offers the customer. Products are also termed as merchandise. The different products that the store offers is termed as the merchandise mix.

2) Price:

Pricing is an integral part of the retail marketing mix. The price policy that the organization decides to follow depends on the customer profile, i.e., the target audience for its range of products. It also depends on whether the product offering is unique or has other substitutes available. For example, designer clothing is always expensive as compared to the Pret lines offered.

3) Place:

For a very long-time, the location of the retail store was considered to be the most important element of the retail marketing mix. However, with the advances in technology and the advent of television shopping and the Internet, many retailers are now going in or a click and mortar approach.

4) Promotion:

The advertising budget, the sales promotions, publicity and public relations play a very important role in the competitive world of retailing. Retailers need to develop a communication strategy in line with their target market and the products that they stock in store.

5) Presentation:

The manner in which the merchandise is presented at the store layout and level is very important. This aspect not only deals with the more and ambience created, but also with visual merchandising. Visual merchandising is the orderly systematic and intelligent way of putting stock on display in the retail store. Many large retail organizations employ visual merchandisers to aid the store in this function.

6) Customer Service:

The support services that a retailer has have become very important today. The credit policies, product returns policies, etc., need to be clear not only to the sales staff but also to the end-customer. Relationship marketing, data warehousing and customer relations management are the new buzzwords in the industry today and all these are aimed at enhancing customer service.

7) People:

Retailers operate in a unique environment. Most of the time, the retail employees are in direct contact with the customer and may face irate or unreasonable customers. The people who work at the front end of a retail organization are very important, as they are the face of the organization for the customers. Their attitude, behavior, manners and product knowledge play a very important role in building long term relations with the customers.