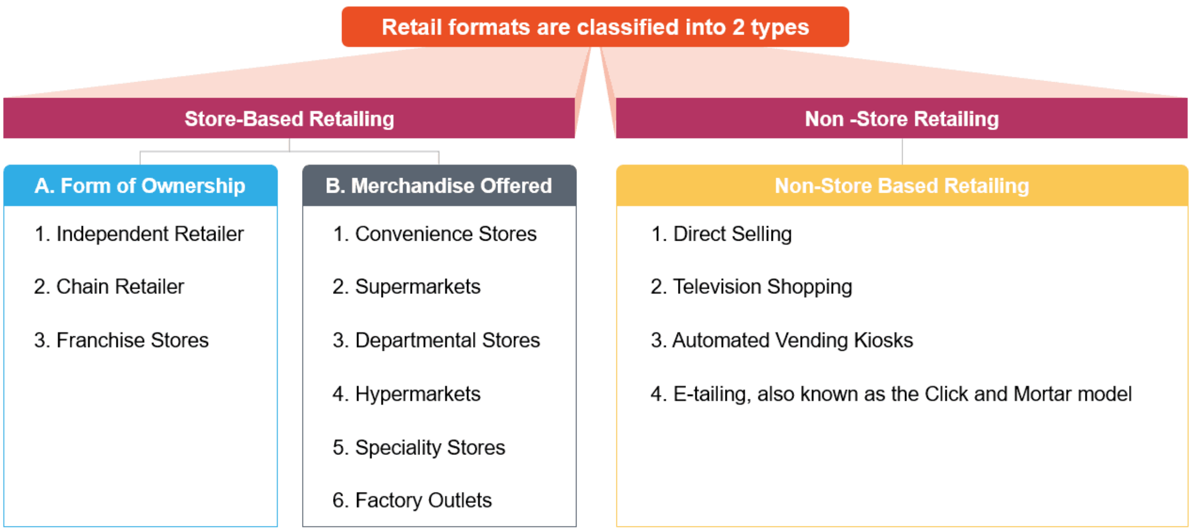
Retailing Management (FT-242)
as per SMKV MBA 4th Semester Syllabus

- Retailing Nature Scope and Opportunities, Types of Retailers: Merchandise Retailers, Non-Store Retail Formats, Service Retailing; Types of Ownership, Functions of Retailers FDI and Retailing in India.
- Customer Buying Behaviour: Types of Buying Decisions, Buying Process, Social Factors Influencing Buying Decisions in Retailing.
- Retail Market Strategy: Definitions, Retail Planning Process, Financial Strategy, Location Strategy, Human Strategy, Retail MIS.
- Retail Mix Strategies: Buying Merchandise, Pricing, Retail Communication Mix, Multi-Channel Retailing.
- Managing the Store, Store Layout and Design, Space Planning, Merchandise Presentation Techniques, Store Ambience, Customer Service.

The retail sale by ownership is classified as under:

(1) Independent



Retailer

(2) Chain stores

(3) Franchising

(4) Leased department stores

(5) Vertical Marketing system

(6) Consumer co-operatives

(1) Independent Retailer:

An Independent Retailer usually is a small retailer (always not true) and is found in all lines of trade and in all communities. He may be a young man, fresh graduate just starting his own business or he may be a man of advanced years with many of them spent in the field of retailing. In India, many of the independent stores tend to be passed on from one generation to another. In either case he has a business of his own. He is independent in-fact as well as in name. The high numbers of independent retailers is associated with the 'ease of entry' into the market place. The entry and growth of independent retailers in India is a big reason in the high rate of new retail outlets failure.

Merits:

1. The independent retailer has no restrictions on who, how or where the business to be set up. He is free to do what he wants and to select a convenient location.

2. The independent retailer takes all decisions related to the store functioning. It drastically saves the time that usually exist between decision-making and the implementation process. Therefore, an independent retailer can respond quickly to the environmental changes and adopt proper strategies.

3. The independent retailer can concentrate on a local area to achieve its business goals.

4. To serve the local demand, a retailer can decide the trading hours, merchandise to be sold / removed and prices as and when desired.

5. It avoids duplication of work, ambiguity of role and excess stock due to clarity of role, thus resulting in increased productivity and time utilization.

6. To start an independent store is comparatively an easy task as it requires low investment, modest fixtures and merchandise.

7. The independent store by providing limited but deep merchandise can act as a specialized store to serve a particular consumer segment.

Demerits:

1. Due to limited exposure and small investments, in most of the cases, they don't stand in competition with the emergence of giant retailers and international store outlets.

2. As independent stores are dependent on labor intensive techniques, they find themselves difficult to improve store-productivity when it comes to stock-keeping, ordering, merchandising, displays, accounting and dispatching.

3. Undoubtedly, the bargaining power of independent retailers is comparatively less as they offer limited merchandise. On the other hand, big retailers (like supermarkets, hypermarkets and chain stores) due to bulk buying, negotiate vendors effectively and offer less prices, better quality goods and great service at short notice or in small lots create problem for independent stores.

4. Due to limited operations, less working capital, improper logistic arrangements, retailers are not able to have benefits of economies of scale.

5. Independent retailers due to limited funds cannot go for mass sales promotion programs resulting in limited target market and geographical coverage.

(2) Chain Store/Chain Retailer:

A chain retailer or a chain store is a group of two or more outlets carrying the same sort of merchandise assortment, owned and controlled jointly and usually supplied from one or more central warehouses. The main advantage of such a retail format is to make retailer enable to bargain well with the suppliers. Another advantage is cost effectiveness in advertising and sales promotions. Thus, a very small number of stores constitute a chain-store system.

Merits of Chain stores:

i. Good bargaining power with suppliers

ii. Cost effectiveness due to centralized operations

iii. Ease of managing store operations

iv. Use of advanced technology increases their working efficiency

Demerits of Chain stores:

i. The establishment cost to set up such chain of outlets requires huge money and expertise.

ii. Difficulty in managerial control due to geographically dispersed branches/outlets

iii. Due to centralized decision-making, some outlets may have difficulty in adapting to local needs.

iv. Due to huge network of outlets, it is difficult for management to monitor their day to day activities resulting in communication gap, inefficiencies, and delay in decision making.

v. Expense on safety stock remains high.

(3) Franchising:

A Franchise is a contractual agreement between the franchiser and the franchisee that allows the franchisee the right to supply its brand (goods and services) exclusively within a defined area, as per a particular format for a specified period of time. In return, franchisee pays a fixed fee in advance and a monthly percentage of gross sales made by him under franchiser name and fame in the form of royalty. In India, franchising business is becoming very popular and growing rapidly.

The small businesses find it convenient by being a part of large, multinational firm because franchiser provides great assistance to franchisee for locating and constructing the retail store (including interiors, and exteriors), developing the goods and services for selling, hiring employees, training, advertising and administering the store effectively.

Key franchisers in India:

a. Aptech

ADVERTISEMENTS:

b. Chabbra 555

c. Coke

d. Domino’s Pizza

e. Koutons

f. McDonald’s

g. NUT

h. Pepsi

i. Pizza’s Hut

j. Priknit

k. Reliance Fresh

l. Sagar Ratna’s

m. Store 99

n. Vishal Mega Mart

Types of Franchising:

In commerce, franchising structure can vary according to the goods and services provided. In most of the agreements, the franchisee is prohibited from selling goods and/ or services of other brands from the same retail outlet in any circumstances.

The franchising may be of three categories:

(a) Product or a trademark franchising:

In this sort of franchising, a franchisee with mutual consent acquires the name and identity of the franchiser by agreeing to sell the franchiser's goods and services exclusively made and supplied by him under his name. In actual, under such an arrangement, franchisee use the franchiser's business methods, selling techniques, standardized product lines and advertising on co-operative basis.

Although, franchisee adheres to certain operating rules and regulations, but still is independent in their day-to-day operations. In consultation with the franchiser, franchisee can decide the store hours according to the locality needs. Archie's Gallery, Hallmark stores, which are spread all over India, is the best suitable examples of a product/ trademark franchisee.

(b) Business Format Franchising:

In business format franchising, there is a more synergetic relationship between a franchiser and the franchisee. The franchisee receives assistance on the issue of site location, building the store, quality control, accounting practices, training to store employees, and the problems faced in conducting the store.

Besides these services, a franchisee enjoys the benefits of prototype stores, standardized product lines, selling and presenting skills and co-operative advertising. McDonald's outlets, Domino's, Pizza Hut are the best suited examples of business format franchising. In India, since 2000, most growth has been observed under this type of franchising format.

(c) Area Development Franchising System:

In an area development franchisee system, the franchiser grants development rights of a particular area to the franchisee in turn for a front-end development fee. The franchisee on his part is responsible for developing a certain number of units within a given period of time. Excel InfoTech EIIT has adopted this unique mode of franchising.

(4) Leased Department Stores:

A leased department which is also known as shop-in-shops or store-in-store, is a section of a department in a retail store in the form of specialty/discount store given to any outside party on monthly rental basis. The person who provides the store space to outside party is known as lessor, and the person who takes the shop/store space is known as lessee.

The payment made by lessee to lessor for the use of store space is decided in a contract in the form of monthly rent. The lessee (the proprietor) is usually responsible for all aspects of business such as managing fixtures and furniture. In order to maintain the overall consistency and co-ordination, the store has some operating and administrative restrictions for each lessee in a uniform manner. For a lessee (retailer), the main reason to have rented premises is the property price that usually is so high that buying the premises is beyond the reach of the retailer.

4. Leased Departments in India:

In India, leased departments are an emerging trend in the field of retail business. Most of the renowned retail chain stores set up their outlets or extension counters in commercial complexes of residential areas, malls, PVR multiplexes, public places like bus terminals, railway stations, metro stations, airports and on national highways. The reason behind their popularity is the business and marketing philosophy of the retail chains that insures the availability of their brands to the consumers near their place of work or home.

Advantages and disadvantages of leased departments:

Following are the advantages of having leased departments from stores' point of view:

i. It provides one-stop shopping experience.

ii. Leased stores pay for property, personnel and other expenses resulting in fewer burdens on lessor.

iii. Lessor gets regular monthly income in the form of rent.

iv. Employees' management, merchandise displays and arrangement, reordering of items, complaint handling and so on are handled by individual lessees.

Disadvantages:

i. Operating hours may vary from store to store on the basis of goods and /or services sold.

ii. Items sold /business lines are restricted.

iii. If lessees are performing well, the store owner may increase the rent or lessees themselves can create problems by changing /not obeying agreements' rules and regulations.

iv. The bad image of one lessee can spoil the image of entire store.

(5) Vertical Marketing System:

A Vertical Marketing System (VMS) is a system in which almost all the members of distribution channel such as manufacturers, wholesalers and retailers work together to satisfy human needs and wants by facilitating the smooth flow of goods and services from manufacturer to ultimate consumer.

In traditional marketing system, manufacturers, wholesalers and retailers are separate entities that try to maximize their own profits. The philosophy behind developing vertical marketing system is that when one member of distribution channel tries to maximize its profits on the expense of rest of the members, it will create conflicts resulting in decline in profits for the whole channel of distribution. To avoid these conflicts, now retail firms have started forming vertical marketing systems. Three types of VMS are in existence through which goods and services are usually distributed to customers.

These are:

(i) Independent firm VMS

(ii) Partially integrated VMS

(iii) Fully integrated VMS

(i) Independent firm VMS is a marketing system where manufacturers play vital role to provide goods and services to customers. This is the case where retailers are very small and therefore, manufacturers have to reach the whole market. Also when firm's financial resources are limited and channel members are not in a position to share risks and expenses, therefore, they want manufacturer to come forward and lead the retailing efforts. Independent retailers on the other hand, target their customer base and build loyalty by becoming friendly retailer and mouth advertisement.

Examples:

i. Campbell

ii. Coke

iii. GE

iv. JC Penney

v. Kellog

vi. McKesson Corp

vii. P&G

viii. Pepsi

ix. Toys R Us

x. Wal Mart

(ii) Partially integrated VMS is a marketing system in which two independent, financially strong firms along a channel of distribution perform all manufacturing and distribution functions without the involvement of any intermediary. This is the case where involvement of wholesalers may be expensive and/or unaffordable. The example of such system is where manufacturers and retailers divide all the retailing activities like production, storage and distribution without any independent wholesalers.

Partially integrated VMS is most suitable where:

(i) Wholesalers are costly to afford,

(ii) Company has ample resources,

(iii) Both manufacturers and retailers are large,

(iv) Unit sales are moderate, and

(v) Strict control over channel is required.

(iii) Fully integrated VMS is a system where one member of the distribution channel for say manufacturer performs all production, storage and distribution functions without the involvement of any channel member.

This is the case where manufacturer being resource sound wants direct interaction with its customers. Earlier throughout the globe, this system was usually employed by manufacturers of repute but now due to ease of finance facilities and retailing being a significant contributor to any nation's economy, retailers are also moving upward in the chain. Vishal Mega Mart and Reliance Fresh work on the principle of integrated marketing system and provide efficient customer service, wider assortment without increasing the price of commodities. In short, fully integrated system is based on the concept of 'manufacturing to retailing'.

Other examples are:

a. Banana Republic

b. Gallo

c. Giant Foods

d. Hallmark

e. Oil Companies

f. Sears

g. Sherwin Williams

h. The Gap

(6) Consumer Cooperatives:

Consumer Cooperatives are retail outlets owned and managed by its customer members. A group of interested customers (members) start retail operations by investing money, receive stock certificates, elect members to run day to day activities and share the profits on the basis of investment made or certificates held.

The reason to setup consumer cooperative is that local retailers are not able to satisfy consumers' needs (whatever the reason may be). Therefore, consumers are left with no option but to open their own store. Examples of cooperatives in India are the 'Kendriya Bhandaars', owned and managed by government, 'Apna Bazaar' shops in Mumbai and 'Super Bazaar' stores in Delhi. In some cases, these stores are run by the local residents of society/colony/apartment residents.

State Consumer Cooperative Organizations:

In a few States, where the central stores and the local traditional stores have not made much progress, the State Federations have come forward to provide merchandise by establishing supermarkets. Assam, Madhya Pradesh, Karnataka and Assam are the leading states having such kind of cooperatives stores.

Janata Bazar owned and run by Karnataka Federation with an annual sale of more than one crore rupee is one of the biggest retailers of the Karnataka state. Similarly in Madhya Pradesh, Pridarshani super market at Bhopal is the leading retailer of Madhya Pradesh with an annual turnover of rupee five crore.

Some of the leading State Consumer Co-operatives are:

1. Karnataka Cooperative Consumers Federation Ltd

2. Maharashtra State Cooperative Consumers Federation Ltd.

3. Gujarat State Cooperative Consumers Federation Ltd. and

4. Pondicherry State Cooperative Consumers Federation Ltd. (CONFED).

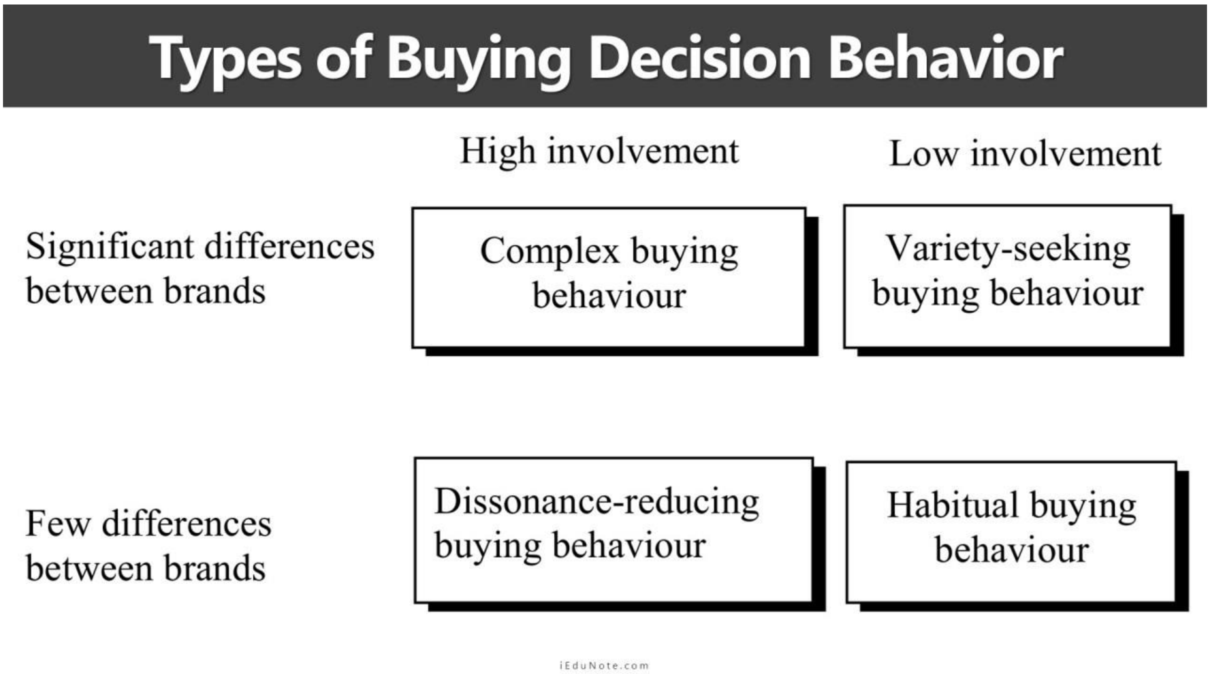
Characteristics:

1. Limited expansion

2. Profit is shared by its members

3. They sell usually essential commodities at reasonable price

4. Main purpose is social service not to earn profit, and



Complex buying behavior is when the consumer is highly involved in the purchase and the knowledge about significant differences between brands, it is called complex buying behavior. Buying a car is an example of complex buying behavior.

In Variety seeking behavior, there is low involvement of the consumer regarding the product, and there are significant differences between brands. Consumers generally buy different products not due to dissatisfaction but due to seek variety.

For instance, an individual may shop around for different breakfast cereals because he/she wants variety in the mornings!

Sometimes in Dissonance buying behavior, the consumer is highly involved in the purchase, but there are a few differences between brands.

Highly involvement again means that the product is expensive, but due to a few differences between brands, consumers will buy the product frequently.

Like consumers, while buying wall paints, buy them quickly as there are few differences between brands. An example would be buying a diamond ring, as people believe there is little difference between diamond brand manufacturers,

In Habitual buying behavior, there is low involvement of the consumer regarding the product, and there are few differences between brands.

The consumer goes to the market and buys the product. Purchase of a food commodity such as salt, flour, or sugar is a good example.

Let’s learn about all four types of buying behavior in details;

1. Complex Buying Behavior

Consumers demonstrate complex buying behavior when their involvement in the purchase is high, and when they perceive significant differences among brands. Consumers’ purchase involvement is high when the product is costly, risky, purchased infrequently, and highly self-expressive.

In such a situation, the consumer has much to know about the product category.

For example, a personal computer buyer may not know what attributes to consider. Many product features carry no real meaning: a “Pentium chip,” “Super VGA resolution,” or “8 megs of RAM.”

In a complex buying situation, the buyer will go through a learning process that involves developing beliefs about the product, developing attitudes, and making a contemplated purchase choice.

Marketers of high-involvement products need to know the information-gathering and evaluation behavior of high-involvement consumers.

They must assist buyers in learning about product-class attributes and their relative importance, and about what the company’s brand offers on the important attributes.

It is also necessary for marketers to motivate store salespeople and the buyers’ acquaintances for influencing the ultimate brand choice.

2. Dissonance- Reducing Buying Behavior

Dissonance- reducing buying behavior happens when consumers are highly involved with an expensive, infrequent, or risky purchase but perceives little difference among brands.

For example, consumers buying split type air conditioner may face a high-involvement decision because air conditioning is costly and self-expressive.

Still, buyers may consider most air conditioner brands in a given price range to be the same.

In this situation, because perceived brand differences are not wide, buyers may shop around to learn what is available, but relatively quickly. They may respond primarily to an attractive price or to purchase convenience.

Consumers might experience postpurchase dissonance in the form of after-sale discomfort when they notice certain disadvantages of the purchased air conditioner brand.

This can also occur if the buyer hears favorable things about brands not purchased. To counter such dissonance, the marketer should undertake proper after-sale communication and support to help consumers feel happy about their brand choices.

3. Habitual Buying Behavior

Habitual buying behavior happens when consumer involvement is low, and the perceived brand difference is low.

For example, take flour; consumers have insignificant involvement in this product category. They go to a store and ask for a brand. If they keep asking for the same brand, it is out of habit rather than strong brand loyalty. Consumers have low involvement with most low-cost, frequently purchased products.

In cases of habitual buying, consumer behavior does not follow the typical belief-attitude-behavior pattern.

Consumers do not look for extensive information about the brands. They do not evaluate brand features and make strong decisions about which brands to buy. Instead, they passively receive information from the media to which they are exposed.

Repetitive ads build brand familiarity rather than brand conviction. As consumers' involvement is low, they may not make a postpurchase evaluation.

Thus, the buying process contains brand beliefs acquired through passive learning. Habitual buying behavior has important marketing implications.

Since buyers are not highly committed to any specific brand, marketers of low-involvement products with few brand differences may use price and sales promotions to encourage product trial.

Ads of low involvement products should emphasize only a few key points. Visual symbols and imagery should be used extensively. Ad campaigns should consist of a high repetition of short-duration messages.

Visual media like television should be preferred to print media because it is a low-Involvement medium suitable for passive learning.

4. Variety-Seeking Buying Behavior

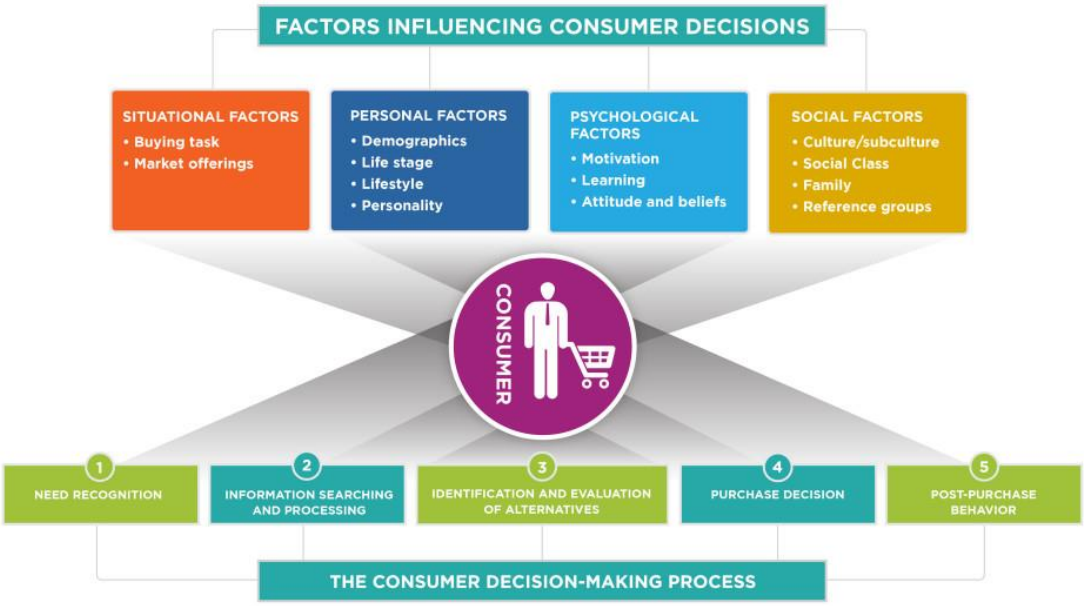
Consumers undertake variety-seeking buying behavior in situations characterized by low consumer involvement, but significant perceived brand differences. In such cases, consumers often do a lot of brand switching.

For example, when buying cookies, a consumer may hold some beliefs, choose a cookie brand without much evaluation, then evaluate that brand during consumption.

But the next time, the consumer might pick another brand out of boredom or try something different. Brand switching occurs for the sake of variety rather than because of dissatisfaction.

Variety-seeking buying behavior calls for different marketing strategies for the market leader and market challenges. The market leader will encourage habitual buying behavior by carrying large stocks and running frequent reminder advertising.

The market challenger will encourage variety seeking by using various sales promotion tools such as cash discounts, special deals, coupons, free samples that will induce buyers to try new brands.



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