Introduction

Concept of Retailing

- Retailing is a convenient, convincing and comfortable method of selling goods and services. Retailing, though as old as business, trade and commerce has now taken new forms and shapes. This is because of new management techniques, marketing techniques and also due to ever changing and dynamic consumer psychology.

- Retail marketing is not just buying and selling but also rendering all other personalized consumer services. With the RM picking up it has given a new look for various fast moving capital goods (FMCG) goods. This not only increased the demand for various goods in the market but also made retail marketing the second largest employment area, the first being agriculture.

Scope and Definition of Retailing

- Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

- Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

Types of Retail Management

- Department Stores
- Discount Stores
- Supermarket
- Warehouse Stores
- Mom and Pop Store (Kirana Pasal)
- Specialty Stores
- Malls
- Dollar Stores

Theories in Retail Management
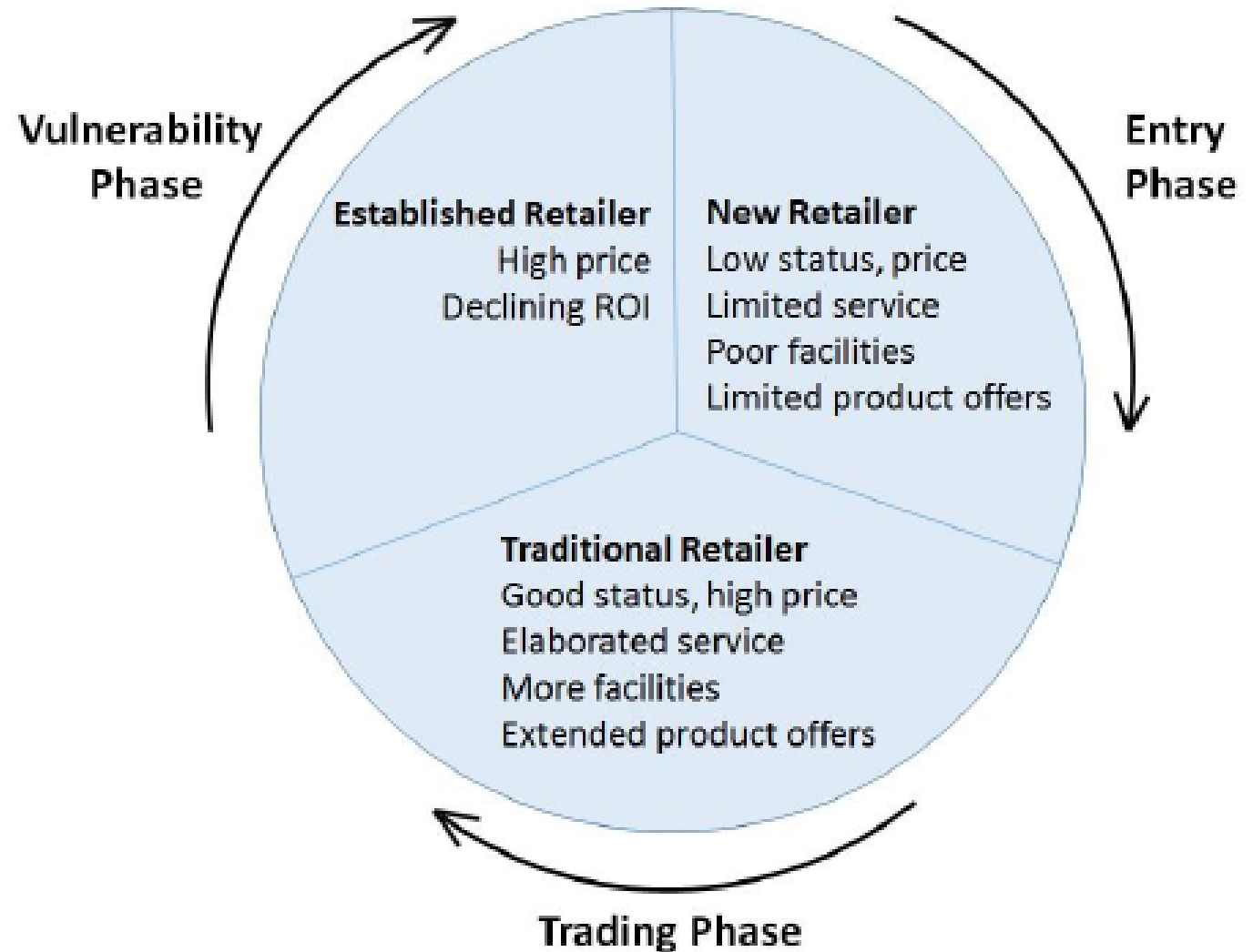
- Environmental Theory

It is based on Darwin's theory of survival: "The fittest would survive the longest". The retail sector comprises consumers, manufacturers, marketers, suppliers, and changing technology. Those retailers that adapt to changes in demography, technology, consumer preferences, and legal changes are more likely to survive for long and prosper.

- Ability to adapt to change successfully is the core of the Theory.

- Retailers are Economic Entities.

- Confront Environment made up of customers. Competitors and changing technology.

- Alters Profitability

- Identification of Point of Precipice.

Cyclical Theory

- Also known as Wheel of Retailing
- From innovators to Traditional Retailers to Mature Retailers.
- Creates Cyclical Trends in due course of time.
- Constant evolution of the retailers as they start adding products unto confused state thus entailing a negative cycle

Cyclical Theory

Conflict Theory

- Competition between retailers causes changes in the nature of the retail environment.

- The causes are driven by innovations.

- Brown (1987) states that a response to innovation follows a process of four stages:

Ø Retailers are in shock at the innovation.

Ø Retailers deny the threat by means of defensive retreat.

Ø Retailers then move into a stage of acknowledgement and assessment.

ØFinally they (Retailers) develop a strategy of adaptation.

Retailing and Marketing

- Marketing is a core area for any retail operation as the success or failure of retailers is based upon how well they understand and serve the needs of their customers.

- Change in consumer behavior is constantly occurring.

- Changes produce intense competition among retialers.

Strategic approach to Retail Marketing

- Positioning
- Leadership
- Customer Loyalty
- Competitive Advantage
- Relationship with suppliers (Low cost, exclusive sale of desirable brands, special treatment)
- Market Penetration
- Global Growth Opportunities

Consumer Behavior and Retail Operation

Introduction

- The term Consumer Behavior is defined as the behavior that consumers display in searching of, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.

- Consumer behavior focuses on individuals make decisions to spend their available resources (time, money, offers) on consumption – related items.

- Management cannot be effective unless it has some understanding of the way in which retail consumers make decisions and act in relation to the consumption of retail products.

Why study Consumer Behavior

- The needs as well as the purchase motives of individuals
- How demographic change may affect retail purchasing
- The different effects of various promotional tactics
- The complexity and process of purchase decisions
- The perception of risk for retail purchases
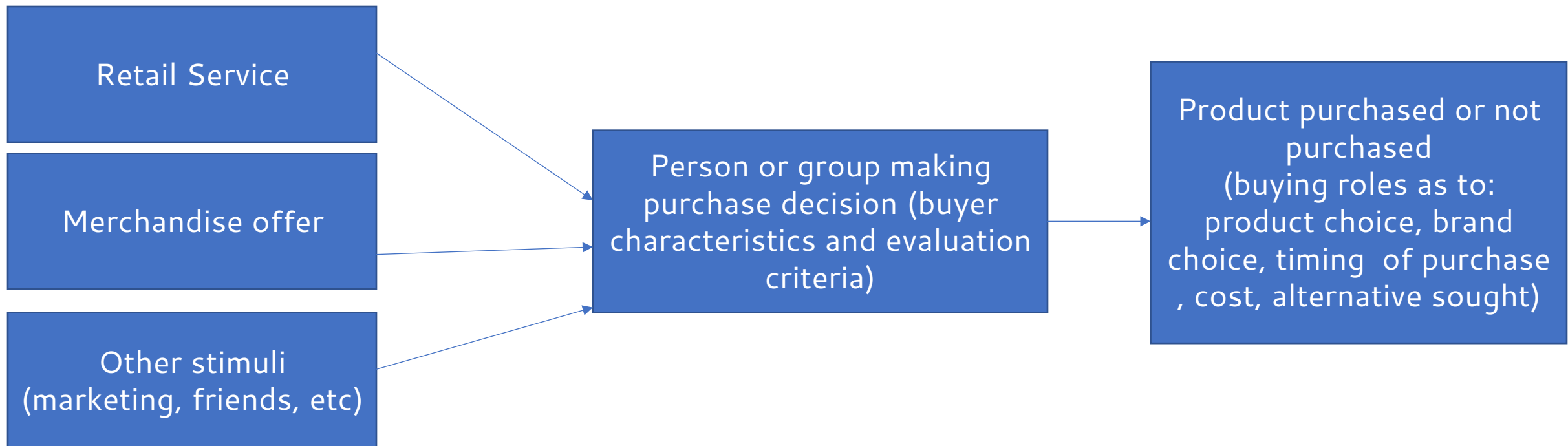- The different market segments based upon purchase behavior

Needs, Wants and Demand Functions For the Purchase Process

Motivation	Characteristics
Needs	Basic human requirements. That pre-exit with consumer i.e. need air, food, water, clothing, and shelter to survive.
Wants	Needs becomes *wants* *when* they are directed to specific objects that might satisfy the needs. i.e. consumer needs food but may want a hamburger.
Demands	Demands are wants for specific products backed by an ability to pay.

Purchase Process

- The purchase process has been influenced by marketers to ensure that products and brands are chosen to create a social comparison between the purchaser and others.

| Retail Service |
| Merchandise offer |
| Other stimuli (marketing, friends, etc) |

→ Person or group making purchase decision (buyer characteristics and evaluation criteria) →

Product purchased or not purchased
(buying roles as to: product choice, brand choice, timing of purchase, cost, alternative sought)

Time taken to shop

- There are difference in the type of shopping behavior embarked upon i.e sometimes a shopping trip is merely a functional or complex activity where as at other times it will be a leisure activity.

Simple Model of Time related shopping expeditions:

Functional (Time Efficient)	Complex (Time Required)	Leisure (Time rich activity)
Focused Predetermined Routine habitual action	......Pre-planned/researched....... higher risk	Emphasis on browsing and serendipity

Time taken to Shop

- A shopping trip is merely a functional or complex activity whereas at other times it will be leisure activity. Shopping expeditions can combine different behavioral influences whereby some individuals want a predictable set of events as part of complex or functional shopping whereas in contrast others want some novelty and interest.

- In complex shopping the customer will probably contemplate the purchase of a technical product. This will lead to prior research of information or the need to take advice from retail staff as there is normally a higher risk associated with the intended purchase. This takes more time than in functional shopping but is required to reduce the level of perceived risk associated with a purchase.

- The leisure shopper is different, as he or she will not be concerned with the time taken to shop but is more interested in browsing and discovering wants rather than simply satisfying needs

Retail fashion buying process; Snyder and Fromkin (1980)

- According to this theory, humans strive towards individuality (uniqueness) and conformity in appearance
- There are 3 theoretical approaches that may explain the way by which adoption processes for fashion occur in retailing
1. Trickle-down theory: New and innovative fashions and styles originate for the Higher classes and passed down through middle classes,
2. Trickle-up theory: A process of fashion and style creation by lower socio-economic groups which is followed by the upper classes prior to being adopted by the middle classes.
3. Trickle-across theory: Fashion and style can originate in any one of the social classes. Opinion leaders of any group can take uo the fashion development then that fashion and style is more likely to be adopted

Retail Buying Roles

- Choices over purchase are subject to a vast number of forces acting collectively.

Buyer Role	Characteristics
Initiator	First individual who suggest product/service should be evaluated/purchased,
Influencer	Provides views and advice which are valued by others and can subsequently influence the final decision,
Decider	The individual who will take the decision in the buying process as to w/h to buy (Store choice) etc.
Buyer	The individual who actually makes the purchase
User	The individual who consumes or uses the service/product

Kelly and Stephen (1967) identified Eight dimensions in Retail store choice:

1. General Store Characteristics (reputation, number of stores),
2. Physical characteristics of the store (decor, cleanliness, checkout services),
3. Convenience of reaching the store,
4. Products offered (variety, dependability, quality),
5. Price charged by the store (value, special sales),
6. Store personal (courteous, friendly, helpful),
7. Advertising by the store (informative, believable, appealing) and
8. Friends perception of the store (well known, liked, recommended).

Behaviorist and Cognitive Perspective

Behavioristic Approach

• Observed behavior is all important
• Behavior is predictable
• People are information transmitter
• People are all alike
• Behavior is rational
• Human characteristics can be studied independently
• Emphasis is on what a person is and does
• Behavior can be studied

Cognitivist Approach

- What goes in a person's mind is the key to comprehension
- Behavior is not predictable
- People are information generators
- Each person is unique
- Behavior is irrational
- People must be studied as a whole
- Emphasis is on what a person can be
- Behavior can never be completely understood

Consumer Decision Making Process

The Engel – Kollat-Blackwel (EKB) model

- The EKB model takes a broad view, incorporating inputs such as perception and learning.
- A key feature of the EKB model is its incorporation of the differences between high and low involvement as part of the buying process.
- High involvement is normally present in the decision making process when the perceived risk in the purchase is high. This element of risk Is higher when the consumer is unsure about the outcome of his or her purchase decision.
- This arises when:

ü information is limited

ü The buyer has low confidence
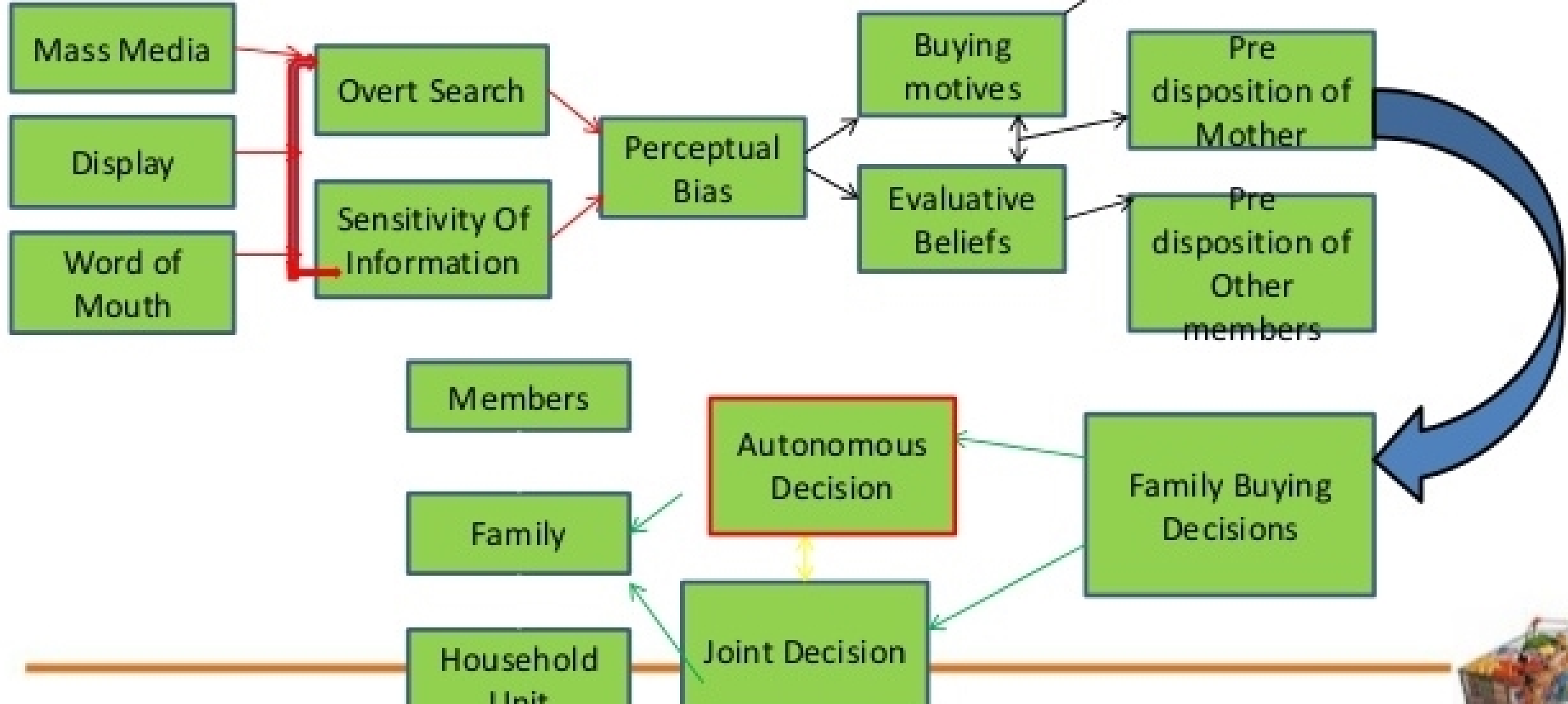
ü The price relative to income is high

EKB MODEL
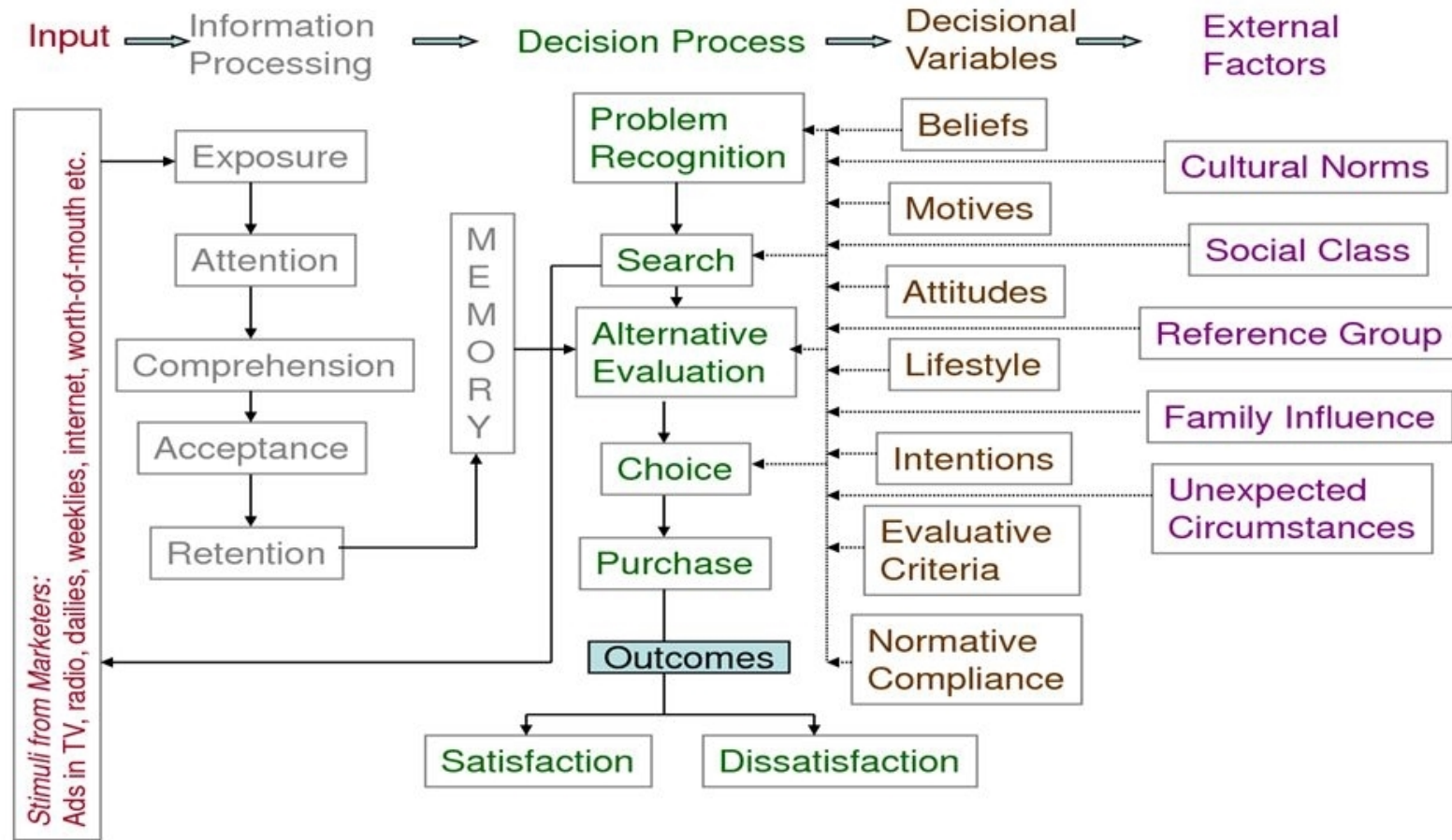
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- EKB model has the decision process as pathways of convergence passing through various stages of processing prior to any choice being made.
- The central process can be seen to incorporate five stages:

ü problem recognition/arousal;

ü internal search – alternative evaluation;

ü external search – alternative evaluation;

ü choice/purchase;

üOutcomes as dissonance or satisfaction

The Seth model of family buyer behavior

Sources of Information

Mass Media

Display

Word of Mouth

Overt Search

Sensitivity Of Information

Perceptual Bias

Buying motives

Evaluative Beliefs

Pre disposition of Father

Pre disposition of Mother

Pre disposition of Other members

Members

Family

Household Unit

Autonomous Decision

Joint Decision

Family Buying Decisions

Retail Buying Process

Retail Buying Process : Eight - Stage Model

8. Post Purchase feeling / Behaviour

7. Purchase Action

6. Decision

5. Evaluation of Alternatives

4. Search of Information and Identification of Alternatives

3. Level of Involvement

2. Recognition of the Need

1. Need Arousal

Different aspect of Perceived Risk

- Economic Risk: The risk can be economic, involving the purchase in the problem of deciding whether or not the product offer is of good value or not. Consumer face economic or financial risk when they purchase retail products that they cannot be sure will deliver the desired benefits. (Value of Product, Financial Risk)
- Physical Risk: Fear Through products (electrical, Medicines)
- Psychological Risk: Product image which reflects personality
- Performance Risk: Desired Expectations from Retail products.

Influences on Consumption Process

- Energizers of Demand: Forces of motivation that lead a potential consumer to decide upon a shopping visit or to seek out a product.

- Filterers of Demand: Factors which affects for buying I.e. Economic factors (social class and disposable income), sociological factors 9reference group0 and psychological factors (perception of risk, personality, attitudes).

- Effecters: An effecter could be the position, display and type of merchandise which creates an impulse purchase.

- Roles: (family influence, cultural influence)

Energizers or motivational forces (Tauber, 1972: utilize six categories of personal behavior)

- Role Playing: Shopping may be learned and expected behavior pattern

- Diversion: Shopping may provide an escape from the daily routine

- Self-gratification: Helps to afford pleasure, satisfaction, enjoyment, delight, etc

- Learning about new trends: i.e. fashion

- Physical activity: i.e. Physical exercise

- Sensory stimulation: i.e. light, colour, sounds, scents, etc

Social Motives behind shopping

- Social Experience outside the Home
- Communications with others having a similar interest
- Peer group attraction
- Status and authority
- Pleasure of Bargaining

Contd

Patronage of Retail Outlet:

1. Convenience
2. Reputation
3. Retail environment characteristics
4. Service encounter exectations
5. Expectations of the merchandise
6. Expectation of Value

Motivational Forces

- Motivation refers to the process that leads people to behave as they do

- It occurs when a need is aroused

- The ad shows desired state and suggests a solution (purchase of equipment)

Maslow's Herarchy of Needs
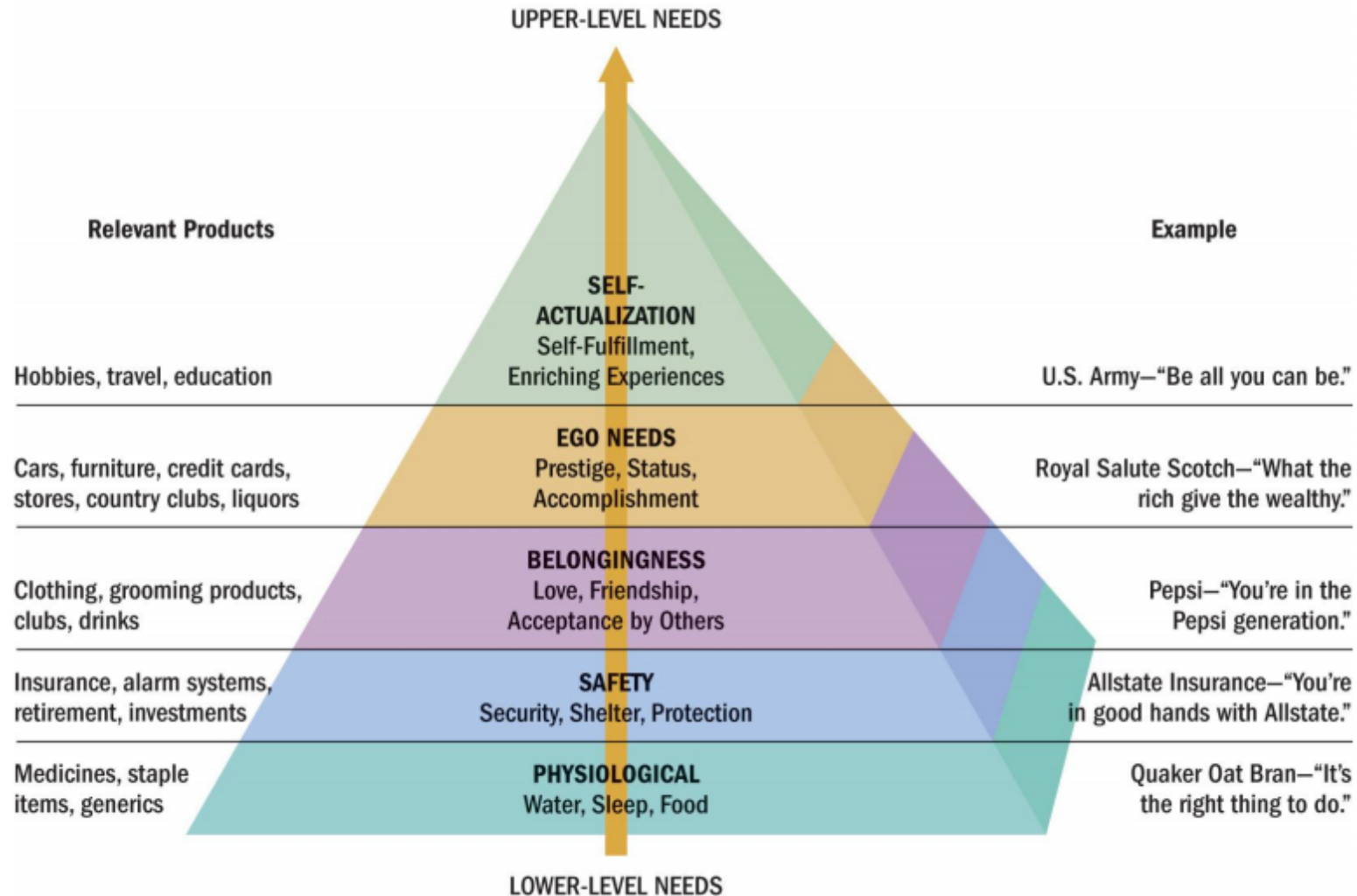
Demographic Factors

- Age, Family size, Gender, Income, Occupation, Education, Average Life expectancy, Social Structure,

Socio-Economic Categories

NRS Social Grade Table

Grade	Social Class	Occupation
A	Upper Middle Class	Higher managerial, administrative or professional
B	Middle Class	Intermediate managerial, administrative or professional
C1	Lower Middle Class	Supervisory or clerical and junior managerial, administrative or professional
C2	Skilled Working Class	Skilled manual workers
D	Working Class	Semi and unskilled manual workers
E	Non Working	Casual or lowest grade workers, pensioners and those who are dependent on welfare state for their income

Role and Family Influence

- As the fundamental social unit of group formation in society, the influence on retail demand is extremely important.

- The concept of family life cycle (FLC) helps to understand how situation specific life stage condition exert a great influence on buying behavior. The FLC is not just a progression by phase or age but represents likely fluctuations in disposable income and changes in social responsibilities.

The role of children in the consumer behavior process

- The child eventually becomes a dominant force in certain purchasing decision. Companies target children at an early age so as to build brand loyalty. i.e. Teeth related product, their TV ad, Noodles, Biscuits Ad, etc.

Social Influence/Reference Group

- The family may introduce political ideas and consumer attitude to purchasing to the children. However, the reference group of the individual is just as important. Purchases take place on the basis of thinking about the way purchase may help provide status within the group, how the purchaser may need to consider other members and what message the purchase communicates to those from whom and individual wants recognition and acceptance.

Type of Reference Group

- Primary Reference Group: i.e. family , close friends, co-workers

- Secondary Reference Group: Formal Contact but less continuos

- Aspirational Group: influence with personality and consider a member

- Disassociate Group:

The Management of Service and Quality in Retailing

Service

A service is any act or performance one party offer to another that is essentially intangible and others does not result in the ownership of anything. It's production may or may not be tied to a physical product. Increasingly however, manufacturers, distributors, and retailers are providing value- added service, or simply excellent customer service, to differentiate themselves.

What Constitutes Retailing?

- **Tangible Features:** Retailing is malgamation of goods and services. It is a channel service but may also involve a mix of the physical surroundings, signage, uniforms, changing rooms, display and other tangible features such as merchandise. Retailing provides, most of all, the beneficial utility of a place for purchase.

- **Intangible Service:** Retailing si also largely intangible and at the extreme matches the main characteristics of pure service with operations such as banking, insurance and investment services. Furthermore, dry cleaners, photographers , travel agents, car hire etc. are service provider.

Service-Product Concept

- **Transaction with Merchandise:**

1. **Owned goods service:** Ownership of a good after purchase from retailer,

2. **Rental goods service:** No ownership exists and the good has to be returned; car rental

3. **Service with bought goods: Retailers performs/ extra services these could include delivery, wrapping, providing credit, etc.**

- **Transaction without Merchandise:** Service without goods, organizing travel, financial transactions and services, or providing personal services such as dry cleaning, a haircut, or shoe repairs.

The Intangible – Tangible product continuum

- A pure service would be consultancy or financial advice, whereas a pure good would be more tangible.

Service	Mixture/amalgam	Good
ØIntangibility	(eg fastfood/traditional retail)	More tangible
Ø Perishability storable		Often
ØInseparability Standardizable		

Characteristics of Services

- Intangibility: Unlike physical products, services cannot be seen, tasted, felt, heard or smelled before they are bought.
- Inseparability: Physical goods are manufactured, put into inventory, distributed through multiple resellers and consumed later, services are typically produced and consumed simultaneously.
- Variability: Because the quality of servies depends on who provides them, when and where and to whom, services are highly variable, i.e. 5 star overnight Hotal Stay.
- Perishability: Services cannot be stores, so their perishability can be problem when demand fluctuates. The right services must be available to the right customers at the right places at the right times and right prices to maximize profitability.

A Classification of Service and Quality

- The Product Attribute Approach: It is based upon trying to match the product's conformance (another word for Conformity) to standardized requirements which have been set by reference to what company managers think the failure point to be.

- It recognizes that the holistic process of service delivery has to be controlled by taking in to consideration the expectations and attitudes of retail customers.

Gronroos Model of Perceived Quality Management

Gronroos model distinguishes between technical quality and functional quality as the component of service image delivery

1. Technical quality: refers to what the customer is actually receiving from the service. This is capable of objective measurement, as with tangible goods.

2. Functional quality: refers to how the technical elements of the service are transferred or perceived. We know that a customer in a restaurant will not only evaluate the quality of the food consumed but also the way in which it was delivered (the style, manner and appearance of the staff or the ambience of the place itself)
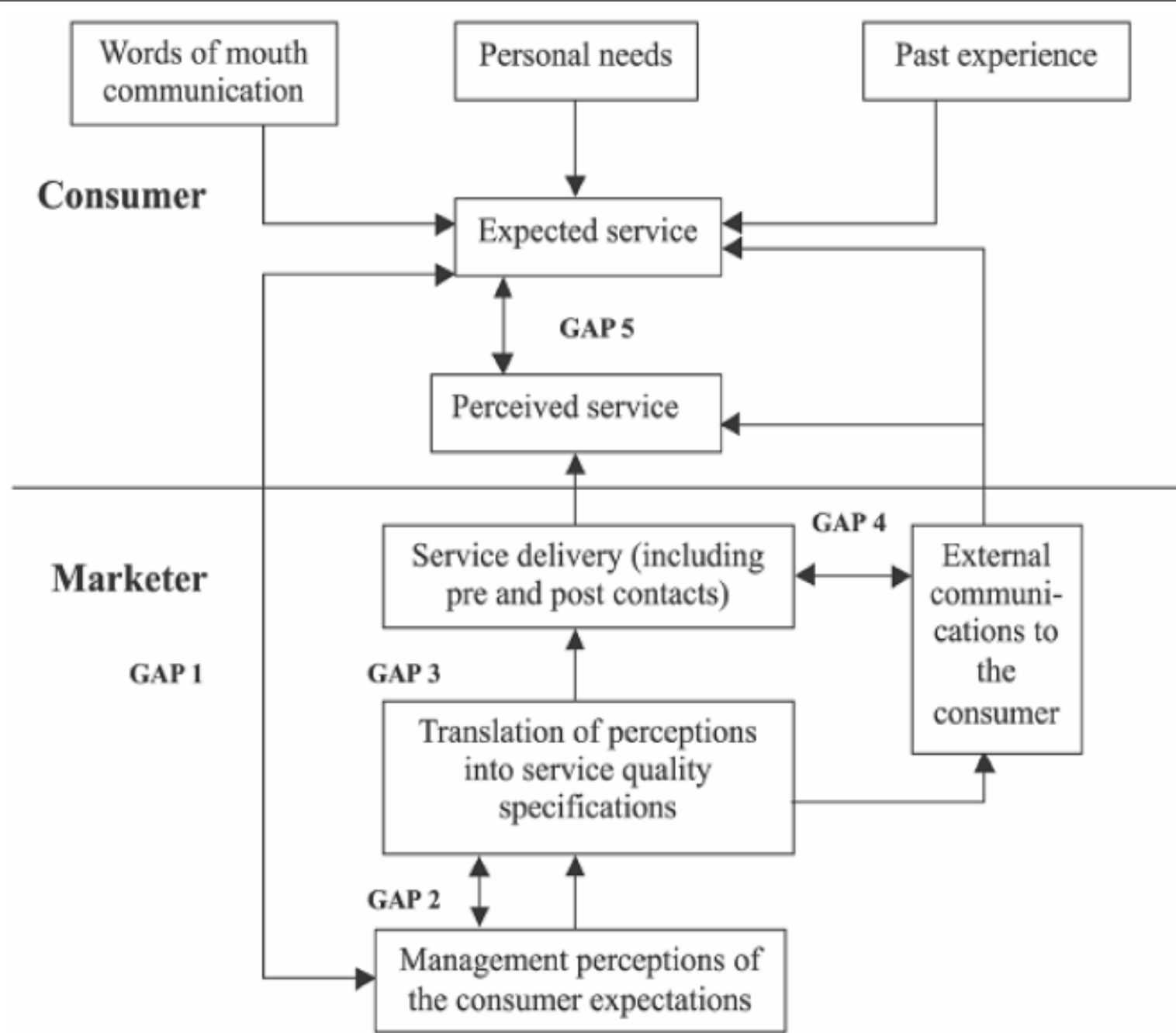
Source: Parasuraman *et al*. (1985)

The Parasuraman, Zeithami and Berry Model (1985)

This model claims that the consumer evaluates the quality of service experiences as the outcome of the difference (GAP) between expected and perceived service. From the model 5 gaps may be identified that could lead to unsuccessful service delivery. By understanding this model, it is possible to provide greater management control over retail customer service relationship.

Gap 1: Ignorance of the customer's expectations, (CE & MP)

Gap 2: Requirement for service design standards, (MP &SQ)
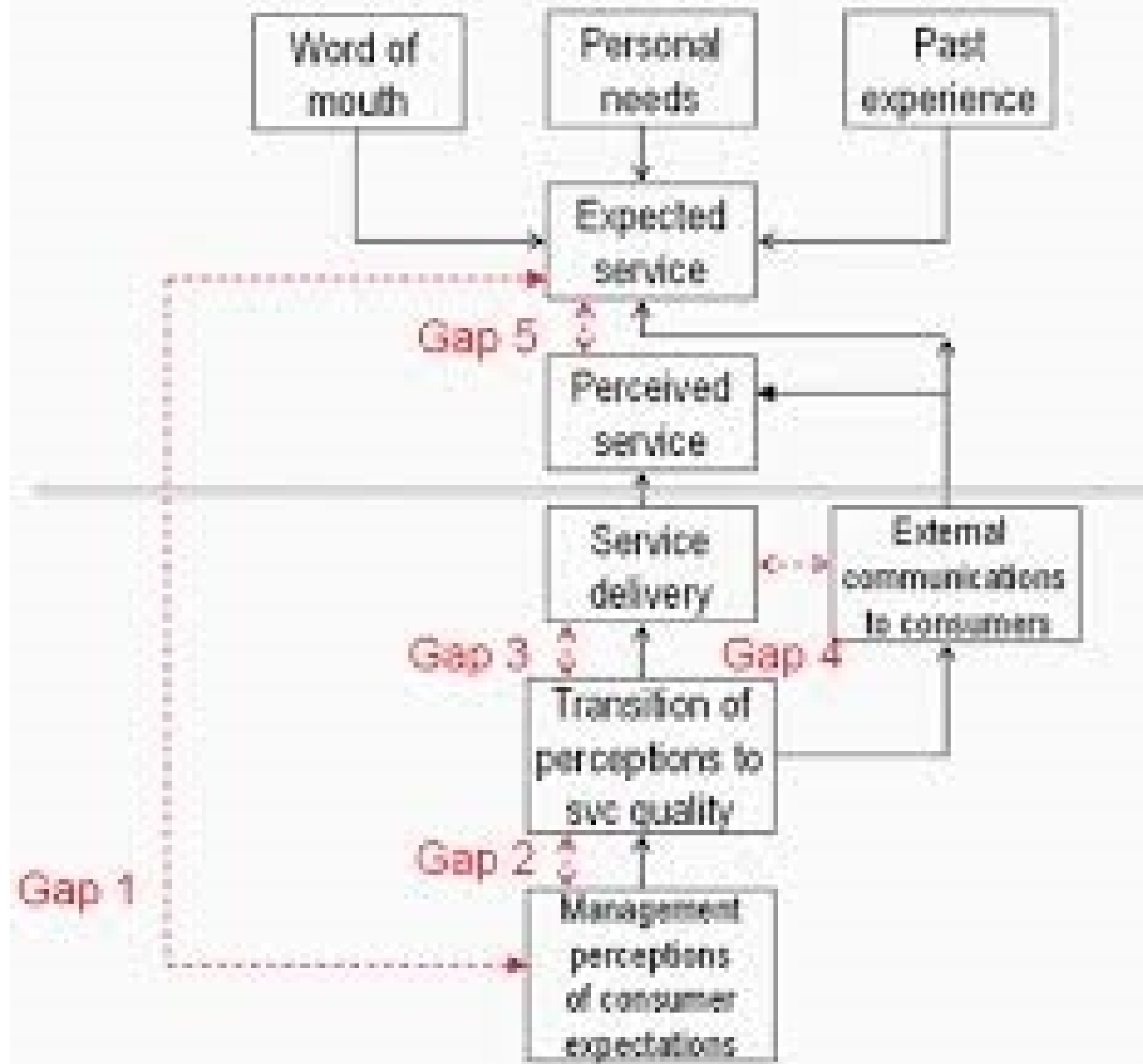
Gap 3: Not delivering to service standards, (SQS & SD)

Gap4 : Inconsistency between performance and promises, (SD & EC)

Gap 5: The service shortfalls.

Contd…

Zone of Tolerance: customers are willing to accept different evels of service which fall with in a zone between the desired and adequate levels of performance.

Parasuraman Zeithaml and Berry Model

Further factors in service quality delivery

- " *Good enough is not good enough*".

An Approach to deconstructing service delivery

Level 1 : Consumer Benefit sought

↓

Level 2 : Service Provision Philosophy

↓

Level 3 : Retail Service offer and service standards

↓

Level 4 : The service delivery system

Implementation of Service Management

Ø Leadership and Commitment by Senior Management

Realize that customer is key,

Design for comfort and convenience

Customize,

Provide one shop shopping,

Customize,

Prioritize customer expectation than employees.

Ø Training Policy and Induction Programmer should be focused on customer needs

Ø Implement Quality Audit System to meet Customer Expectations

Ø HR role for employee motivation

Ø Focus on Added value and benefits of Customer

Ø Control to ensure better service

Potential for Compliments and Complaints

Ø Dissatisfiers

Ø Satisfiers

Ø Critical

Ø Neutrals

Growing Emphasis on Quality Control

- Companies need to find new ways of creating differential advantage by providing better service levels than their companies.

- The increased levels of consumerism and the greater media attention on quality have menat that companies have to be more responsive to quality issues.

- There has been a growing sophistication of consumer markets, with the non-price factors of image, retail offer positioning and service delivery processes becoming more important.

- Adopt new technology

Key Terms for Quality

- Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

- Total Quality Management (TQM) is a holistic organizationa approach which systematically attempts to improve customer satisfaction by focusing on continuous quality improvements without incurring unacceptable cost increases.

- TQM has to influence the values and form the mindset od all emplyees, leading to creation of an integrated corporate culture because quality is required to be the concern of all employee.

Characteristics of Quality

There are 2 sets of quality characteristics which are important to a retailer.

- **Product (Merchandise)**

Ø Performance based,

Ø Features that add to the basic function of the products,

Ø Reliability of the product,

Ø Durability of the product,

Ø Serviceability – related to after sales service

Ø Aesthetics of the look, feel, design, sound and smell of the products,

Ø Image of the brand association, reputation and personality of the product

Contd..

- **Services**

Ø Tangibles

Physical facilities,

Appearance of personnel,

Tools or equipment used to provide the service,

Physical representation of the service i.e. Credit card, vouchers.

Other customers in the service facility.

Ø Reliability

Accuracy in charging

Keeping the correct records,

Performing the service at the committed time

Contd....

Ø Responsiveness

Mailing a transaction slip immediately

Calling a customer back quikly after a query

Giving prompt service

Ø Competence

Knowledge and skill of the contact personal

Listening to customer needs and explaining the desired product or services

Reinforcing the company's reputation

Personal characteristics of the contact personnel

Ability to respect confidentiality and display financial and personal security

Contd...

Ø Empathy

Recognizing regular customers,

Learning the customer – specific requirements and anticipating their needs

Being attentive and providing individualized (customized) service,

Ensuring that if there is a problem it is acknowledged, responsibility is taken and some action is carried out to ensure the service fault is compensated for.

Quality Auditing System

Internal Inspection

- Statistical process – control based upon quality failure information and objective measures
- Visual inspection to check against standards and consistency
- Management by walking about
- Quality control group feedback
- Inspection of competitors offer and assessment of own company offer

Auditing

- Internal auditors of quality
- External bodies
- Consultants, regular users, non users surveys and feedback
- Croos department audits
- Mystery shoppers
- Content analysis of complaint and praise letter and documented problem
- Free phone line feedback

Quality Auditing Systems

Buttle (1994) 26 Key attributes for Auditing of Store:

1. External appearance of the branch,
2. Merchandise pricing in window display,
3. Greeting upon entry,
4. Staff approachability,
5. Staff availability to help,
6. Manager availability, whether the manager is recognizable,
7. The number of customers served simultaneously by one staff members,
8. Efficiency / promptness of enquiry handling,
9. Branch stock levels,
10. Staff awareness of fashion trends,
11. Speed of stock locations,
12. Staff awareness of advertised lines,
13. Helpfulness of staff advice,
14. Honesty of staff advice,

15. Colour size availability,
17. Selection with in size,
18. Availability of alterations advice,
19. Availability of garment reservation,
20. eye- catching quality of window displays,
21. eye-catching quality of interior displays,
22. Speed of till transaction,
23. Comparability of service in other branches

Benchmarking

• A method widely used for assessment of the service standards of a company is to compare them with those which are deemed to be the best available – the benchmark. Benchmark is a continuous process of selecting the best practices and services against which to judge.

• Four types of benchmarking exist:

1. Internal
2. Competitive
3. Functional
4. Generic

Is Quality a cost or a Long term Benefit ?

- The proposition that a continuous improvement is not a cost but an investment in a customer who will return more profit in the long term, is becoming more widely supported.

Service Recovery:-

Service recovery is a broad term that relates to the planned systems and effort that a firm provides to correct a problem following a service failure with the specific objective of retaining a customer's goodwill. Estimated cost of finding a new customer is five times that of retaining an existing one, there is growing emphasis on customer retention and relationship marketing.

- Service Recovery: It refers to acting fast to resolve the problem on the spot or within short periods, being open and admitting mistakes if the retailers is in the wrong rather than being defensive.
- Watching sign Language Consideration needs to be given to enabling those customers who are reticent or mute when it comes to complaints to break their silence. The silent customer who is not satisfied will escape company notice but may tell any of their acquaintances of the problems.
- Preplanning: There is a need to analyse the service delivery process so a sto anticipate those aspects of service which may exceed the tolerance level of customers.
- Training: As service is an interpersonal performance activity, the provision of communication and customer relation skills training will enhance the ability of staff to deal with the most difficult of situations.

Retail Marketing Mix, the Retail Product and Retail Brand

The nature of Retail Markeing

- The key aspects of retail marketing is an attitude of mind
- In making retail marketing decisions, retailers must consider the needs of the customers. Retail marketing decisions are driven by what the shoppers need and want
- Retail marketing id therefore a philosophy and is all about satisfying the customers
- What the customers regard as value and what they buy is decisive
- What the customers buy determines the nature of he retailers' business

The concept of retail marketing

- The retail marketing concept Is the acceptance by the retailer that it is the "customer" and not "demand" that lie at the core of the retail organization.

- It is founded on the belief that profitable retailing and satisfactory returns on investment can only be achieved by identifying, anticipating and satisfying customer needs and desires.

- Is is an attitude of mind that places the customer at the very centre of retailing activities.

Retail Marketing objectives

- Three types of retail objectives include:

- Basic Objective – those which defines retailer's long-term purposes

- Goals – those which the retailer must achieve to be successful

- Targets – short – term goals that require immediate achievement.

Marketing Mix for Retail Services

- Product
- Price
- Place
- Promotion
- Physical evidence
- People
- Process

Retail Product

- The effectiveness of planning the marketing mix depends as muc on the ability to select the right target market as on the skill in devising a retail offer which will generate high levels of satisfaction.

- A product is anything that can be offered to a market that may satisfy a need or want.

- In retailing the complete retail offer of location, price levels, merchandise, store layout, or method of selling, brand name and service provided play apivotal role in a firm's existence and long-term success or survival.

A breakdown of retailing as a product

The formulation of a successful retailing operation involves a combination of

- Service
- Quality
- Merchandise
- Brand name
- Features and benefits
- Atmospherics (the environmental and physical aspect of place, the social surrounding, the temporal aspects of the occasion, the objective of the shopping trip, the predisposition of the individual)

Service

Services are judged through the five dimensions that can be used to measure service quality

- Tangibles
- Reliability
- Responsiveness
- Empathy
- Assurance

Quality

Implementing a method of assurance on the performance level of staff and facilities. It is important to create good quality reputation for the product and service offered as this provides a positive image for the company or organization. Quality is also used strategically; as a way of differentiating merchandise and of positioning offer or retail outlet in an exclusive way.

Merchandise

Retailers need to decide on the merchandise to offer by engaging in the sorting process of assembling a range of goods and services from a variety of suppliers.

• National Brands

• Own Brands

• Licensed Merchandise

• Franchised products via concessions in a store

Brand Name

The store exterior and brand name is the initial impression will have of a store. Branding is also and important portable communication tool which can be utilized on the retailers bags and packaging of its own label products.

Products Levels

- The products can be thought of as being an amalgam of four different levels

Ø **The Core Product**: a product includes everything that the customer receives and this includes the basic level of the core product which is made up of the delivery of benefits and features.

Ø **The Facilitating Product**: the facilitating aspects of the product in a store must be present for the customer to utilize the services of the core product, i.e., if clothing then mirrors and fitting room, signage and easy access around the store.

Ø **The Supporting Product**: extras as play area for children, baby change facilities, free gift wrap service, free delivery.

Ø **The Augmented Product:** the augmented product includes aspects of atmosphere and the interaction of the customer with the company.

Store Layout

Stores should be designed to facilitate the movement of customers, to create a planned store experience and to allow the optimum presentation of merchadise. The retailers goal has to be a store layout which reflects the brand position of the store and ensure he most effective use of the space.

Proactive planning should therefore be based upon the manipulation of the in-store experience rather than accepting passive, total random experience for customers.. The correct display of merchandise in a highly frequented area can dramatically increase sales; conversely a poor display will have a negative effect.

Store Layout

- Grid Pattern Layout: characterized by the regimentation of the layout into long rows of parallel fixture, with straight aisles.

- Free Flow Layout: based upon an irregular pattern with some logic of attempting to create a flow but which allows the customer the choice of whether to move between the fixtures or not.

- Boutique Layout: variation of the free flow layout pattern whereby the departments or sectionare arranged in the form of individual specialty areas that can cater for specific customer requirments.

Atmospheric

- The environmental and physical aspects of place
- The social surroundings
- The temporal aspects of the occasion
- The objective of the shopping trip
- The predisposition of the individual

Atmospheric elements creates sensory marketing. Sensory type create a number of changes in the customer's emotion which can influence the type and amount of demand for different type of merchandise in the store. The main sensory medium are;

Ø Visual: color. Brightness, variation of lighting, size, texture, etc.

Contd..

Ø Aural: volume, pitch, beat, harmony, music

Ø Olfactory: scent, freshness. This comprises ambient scent.

Ø Tactile: Softness, smoothness, shape-surface and display area by feel touch.

Atmospheric

Stages related to sensory marketing:

Store sensory characteristics	Emotions	Customer Behavior Outcome
Spatial aspects, temperature, type of music, lighting either natural of designed	Pleasure, Calmness, Arousal, Non-arousal, Anxiety, Interest	Purchase behavior changes, time spent in the store is altered, activity patterns are affected

The changes made to the design of buying environments that produce special emotional effects that subsequently enhance the likelihood that a purchase will take place.

Merchandise Management

Introduction

- Merchandise management focuses on the planning and controlling of the retailer's inventories. The role has to balance the financial requirements of the company with a strategy for merchandise purchasing.

- Thus it can be defined as "the planning and implementation of the acquisition, handling, and monitoring of merchandise categories for an identified retail organization."

- As merchandise has to be acquired for future purchase opportunities, forward planning is needed in relation to changing consumption tastes and demand.

Merchandise Plan Consideration

- Marketing Consideration (Store and image, trading format, environment, retail proposition, fashion trends, customer base potential buyer)

- Merchandise strategy options (availability based upon assortment profile and issues of choice (width and depth), quality, exclusivity, seasonality of range, estimated cost, promotional agreement)

- Type of customer base (items purchased, range purchased, length of season, average transaction value for different lines, frequency of visits and purchases)

- Financial Consideration (Profitability and sales performance projections, stock investment and stock return, type of contract and payment terms, corporate objectives and pricing)

Contd….

- Merchandise assortment search (Ensuring merchandise meets criteria of :required range, comparison, cost, price range offer, brand policy, availability, delivery, stockholding needs, financial returns)

Merchandiser skill and profile

• The merchandiser is responsible for planning and controlling and operational activity. The merchandiser is responsible for planning and controlling stock ranges and replenishment,

• Successful execution of the role will require close liaison with, and support for smooth supply for the retail buyer.

• **Planning includes**

Ø Understanding the target market groups

Ø Agreeing regional and branch sales forecast

ØCollecting information on competitors and any new branch plans

ØTaking into consideration branding and corporate policy

Contd….

Ø Agreeing merchandise budget

Ø Liaison and initial discussion with buyer(s)

• The key common element is the support role to the buyer. It follows that an effective working relationship with the buyer will be vital if the trading objectives are to be delivered on the floor.

Merchandiser skill and profile

• **Managing variations in demand**

The merchandiser, as part of the above planning approach, needs to contend with the extent to which demand for product lines fluctuates. The merchandiser has to have intimate knowledge of customers and the type of demand dor the product being sold.

Category Management

Category management is related to decision over groups of products that are selected and placed to satisfy use occasions or consumptions patterns. This is based upon strategic retailing principles that attempt to maximize sales and profits and may also include trade patterns.

Unsold merchandise at the end of a trading day represent an opportunity that has been lost forever. The category offering has to be managed to maximize sales and profits. This relies on creating ranging and merchandising, pricing, new product introductions and promotions which are based upon the approach to marketing focused upon the consumer.

Category Management

Category management would be relatively straightforward is sales volumes remained constant over time, which of course they do not, i.e. retailers need to plan fulfillment for promotions to meet customer expectations efficiently.

Karona (1998) indicated that category management is now about creating closer relationships between suppliers and retailers.

Challenges faced by Retailers

Ø Product development and sourcing

Ø Supplier management

Ø Buying

Ø Merchandising

ØDistribution

ØRetail Operations

Range Planning

- A retailers stock range can be described in terms of **width and depth,** with the extent of each determined by company policy. This is sometime assortment.
- Width will relate to the number of categories however, depth relates to the sizes styles, and prices within a product class.
- Developing the range planning and merchandise allocation plan it requires:

Ø Understand the selection process of consumers

Ø Deciding upon core and seasonal merchandise

Ø Agreeing the range – e.g style, size , and color mix – depth and width

ØTaking into consideration the sales-to-stock level targets

ØRelating the range plans to individual stores and possible promotional plans.

Store grading: Store grading is normally conducted on the basis of floor sales area.

- Narrow and Deep

- Can be Modified in available space

- Square
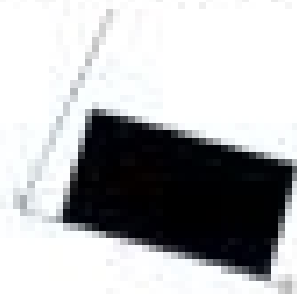
- Broad and Shallow

Space Allocation

- It allows for efficient shopping and attracts customers has a twin effect. Firstly it allows for efficient shopping and so attracts customers to store and secondly it will affect the level of sales to these customers once in the store.

- The improved effect on category performance revenue can result from ensuring increased visibility as well as methods aimed at capturing customer attention.

Space Allocation

- Are products easy to locate individually and as part of a basket of goods?

- How long does it take to obtain and purchase a category?

- Is the range broad enough to provide a satisfactory selection?

- Are other retailers offering a superior layout of categories?

- Space allocation and financial performance (margin, profit, activity based casting, loss through waste, damage shrinkage, etc)

- https://www.smartsheet.com/store-layout

Retail Pricing

Pricing

- Price is the monetary value assigned by the seller to something purchased, sold or offered for sale, and on transaction by a buyer, as their, willingness to pay for the benefits the product and channel service delivers.

Retail Pricing

- The pricing policy selected by a retailer will usually be directly related to the resultant level of demand over a period of time and with the right margins, to the profitability of the enterprise.

Price Sensitivity

- The understanding of the way different price points affect deand or how demand operates between price points is an important consideration for the setting of retail price policy.
- Within retailing there are also major differneces between market segments, such as youth markets and upper income groups, which tastes may dramatically changes form one period to another.
- **Elasticity of Demand**: Elasticity is a key element in the understanding of the demand process.
- **Demand Elasticity**: If price rises, demand falls significantly or if price rises, demand falls but only slightly.

Elasticity of Demand

Price Elasticity = %change in sales/%change in price

- **Price Elasticity:** For price elasticity the denominator is simply changed to a percentage in price, when the price falls, the quantity demand tends to rise and when price rises demand tends to fall.

- **Demand Elasticity:** If price rises, demand falls significantly or if price rises, demand falls but only slightly.

Factors affecting Price Sensitivity

- Perceived Substitutes effect: Buyers are more sensitive the higher the product's price is in relation to another product or substitutes they could purchase.

- Unique value effect: Buyers are less sensitive to a product's price the more they value any of its attributes that differentiate it from competing products.

- Importance of purchase effect: If the risk of the purchase increases then the price will not be the most important aspect of the purchase, i.e. medicine

- Difficult comparison effect: Buyers are less sensitive to price when they find it more difficult to compare alternatives

Factors affecting Price Sensitivity

- Price Quality Effect: A higher price may signal that the product is of super quality

- Expenditure Effect: Buyers become more price sensitive when the expenditure is larger, either in absolute money amounts or as a percentage of their income.

- Fairness and transparency effect: If the buyer believes the price falls outside a band of what would be judged reasonable and fair then they become more price sensitive.

Further factors influencing pricing

Price sensitivity is only one of the factors which a retailer has to consider in their approach to pricing. A retail company in formulating price policy decisions has to consider a range of influences including the following aspects:

Ø Perishable nature of products,

Ø The competitive products,

Ø The market volatile nature of products

Ø Price control to establish business,

Ø Bank charges and interest rates control.

Approaches to Pricing the Retail Product

- **Cost Oriented Pricing**: Cost oriented pricing refers to settling prices on the basis of an understanding of costs to the retailer.

- Cost Plus Pricing (This will be in relation to either marginal costs or total costs including overheads)

- Rate of return Pricing (Return on Investment)

Approaches to Pricing the Retail Product

Demand Oriented Pricing

Ø Discrimination Pricing (Varibale or Flexible Pricing)

Ø Backward Pricing

ØSkimming Pricing (Premium Price on occasion)

Ø Leader Pricing

ØCompetitive Pricing

ØMarket Penetration Pricing

ØPsychological Pricing/Odd Pricing

ØEveryday Low Pricing (EDLP)

Everyday Low Pricing (EDLP) can offer a number of benefits

- Perception of Fairness
- Reduced Advertising
- Improved Customer service Management
- Reduced stock outs and improved inventory management
- Increased profit margins

Pricing and the relationship to value

In deciding to buy a product a consumer has to be willing to give up something in order to enjoy the satisfactions of the benefits the product will deliver. This concept is more complex than it seems. The majority of consumers are looking for value when they buy a product and value is derived from the functions of quality and price, as well as the added value of the image or brand.

Value= (Quality/Price) + Image

If a consumer believes the image and quality of a product is good then they will be willing to make greater sacrifices in order to purchase that product.

- The interrelationship between price, quality and value plays a significant role in store patronage and the buying behavior of customers.

- Value was grouped into four categories by **Zeithaml (1988)**

Ø Value as low price,

ØValue as whatever is wanted from a product,

Ø Value as the quality one gets for price paid,

ØValue as what one gets for what one gives.

Zeithmal describes value as a trade – off between salient benefits components and sacrifice componenets.

Ziethmal's Benefit Components include intrinsic attributes, extrinsic attributes, perceived value quality and other relevant high abstractions. This means value is a judgment about superiority and benefits delivered.

Value= Quality/Price

Other costs therefore pricing implications

There are other costs which a retailer needs to bear in mind when attempting to judge how competitive the store product price may be:

1. Consumer Travel cost for the purchase of products,
2. Parking charges bear by the consumer,
3. Traffic congestion in getting to the store,
4. Any changes in orice and cost, i.e., Seasonal offer/demand
5. The need for multi purpose visits to store.

Markdown Policy consideration for Retailers

- Virtually all retailers will have occasion to utilize price markdowns. It is typical for markdown to be used as part of a clearance sales in order to provide space for new merchandise.

- **Reason for Markdown**

Ø Competitor activity affecting demand,

Ø Inadequate original pricing policy,

ØMerchandise did not meet consumer needs or preferences,

ØEconomic or seasonal problems,

Ø Over/poor stocking of merchandise

Ø Quality of merchandise inferior due to manufacture or damage,

Ø Problems of seasonality or poor timing of offer, etc.

- A retailer has to be clear about how any downward adjustment to original prices (markdown) should be handled. Some retailers prefer to express the markdown as a percentage of the new selling price.

- Markdown = Markdown amount/Net sales

- Markdown (Reduction in Price in order to encourage/stimulate sales)

- An early markdown policy may move the bulk of the stock more speedily, limit shop –soiling free up space for the new merchandise and enable the remaining stock to be better presented.

- A late policy may allow more stock to be sold at a higher profit and could help to maintain a more positive image for the retailer.

Retail Promotion

Retail Promotions

- Retailers communicate to their customers on a continuous basis through the store atmosphere, the products and services, promotional literature, advertising and other promotional means.
- Retail Promotion is the descriptive term for the mix of communication.
- Retailing promotion will have main objective of influencing consumer perceptions, attitudes and behaviour in order to increase store loyalty, store visits and product purchase.
- **OBJECTIVE:-** The marketing objectives need to be clearly defined so that the most effective types of promotion can be utilized. The mix strategies could specify a need to achieve awareness; to inform; to educate; create purchase action; improve loyalty; change the perception of the customer, etc.

SMARRT OBJECTIVE:

- Specific
- Measurable
- Achievable
- Realistic
- Relevant
- Targeted
- Timed results

Development of Promotional Objective

Corporate and Marketing Objectives

Set alternatives for Promotional Mix to achieve SMARRT objectives

Resolution into a set of quantified promotions objective with:
- Specified Target Audience,
- Main Communication Points
- Responsibilities and Tasks,
- Period times for Promotion
- Expected Outcomes

Appraisal of plans to available budgets, personnel and time scale if necessary the objectives or alternatives should be reviewed

Considerations
- The full range of available promotion methods,
- The probable budget allocated,
- The existing competitive position of brand company,
- Evaluation of Past promotional campaigns,
- The customer and supplier's attitude an behaviour to the company and brand,
- Assumption about what promotions are the most effective

Promotional Budget Approach

The common approaches are:

- Objective and Task:
- Affordable Method:
- Percentage of Sales Method:
- Competitive Parity Method:

Communication Effects

- An important part of the promotional effect is the building of brand and product awareness. Sometimes it will take a long time for the consumer to learn about the brand and the type of products which will be on offer. A promotional campaign should aim to provide knowledge of the product, to ensure that the consumer will feel favorable towards the product and build up a preference for it. Any campaign has to sell the benefits that a customer would be seeking in a credible way so that the potential customer feels conviction and is more likely than not to make a purchase.

Elements of Communication Mix

- Main Four ways for communication are :–
1. Advertising
2. Public Relations
3. Sales Promotion
4. Personal selling
5. Direct marketing
 6. Interactive marketing
 7. Word–of–mouth marketing

Advertising

- The term advertising includes any paid form of non-personal communication through the media about a product that has an identified sponsor. The use of payment differentiates from public relations for which no payment is made for the time or space or convey message.

- Advertising is used to achieve a whole range of objectives that may include changing attitudes or building image as well as achieving sales.

DAGMAR (Defining Advertising Goals for Measured Advertising Results) describes the sequence of stages through which the prospective customer has to move;

Unawareness,

Awareness,

Comprehension of the offer,

Conviction,

Action or inaction

Through advertising the retailer will make the potential customer aware of the store and its range of offers. As part of the advertising communication process, information has to be clearly transmitted so that it can be decided and comprehended properly.

Advertising has the potential to affect a large number of people simultaneously with a single message. Advertising communication flows in two way.

1.Communication flow from media to opinion leaders- the individual whose attitudes, opinions, preferences and actions affect others,

2.Word of mouth communications from opinion leaders to others (followers)

Types of Advertising

- Product Advertising,
- Markdown Event Advertising,
- Institutional Advertising,
- Co-operative (Retailers + Manuf.) Advertising,
- Retail promotion in relation to the Manufacturers,
- Window Displays,

Push versus Pull Promotion Strategy

- A push strategy involves 'pushing' the consumer through the channel by directing the marketing activities to promote the store or benefits of the channel,

- The Pull Strategy is where marketing promotion activities are targeted to the consumer to induce them to buy retailer's merchandise or services.

Sales Promotion

- Sales Promotion involves any paid non-personal marketing communication activity, other than advertising, which offers incentive to induce a desired result from potential customers, trade intermediaries, or the sales force.

- For example, free samples or money off vouchers and offers are frequently used in sales promotion campaigns, for brands or companies which need to improve demand at certain periods.

- "An activity designed to boost the sales of a product or service. It may include an advertising campaign, increased PR activity, a free-sample campaign, offering free gifts or trading stamps, arranging demonstrations or exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling, telemarketing, personal letters on other methods".

Personal Selling

- Involves Two-Way, Personal Communication Between Salespeople and Individual Customers Whether:
  - face to face,
  - by telephone,
  - through video conferencing,
  - or by other means.

In other words, Personal selling is an attempt to gain benefits through face-to- face or telephone contact between the seller's representative and those people with whom the sellers wants to communicate.

- The intention of personal selling is to :
- 1.Obtain sale,
- 2.Stimulate sales of 'impulse buy' purchases by bringing attention to extra requirement,
- 3.Complete of successful transaction with the customer;
- 4.Customer Satisfaction, proper and detailed information,
- 5.Create good consumer relations.

The High service retailer should prioritize the message that the customer is always the priority for attention. The overriding values of the retailer – the commitment to excellence in selling – have to be reinforced through compliments, incentives and rewards, and training. This training should include aspects of merchandise manufacture, buying and control as well as selling techniques.

A salesperson can only sell convincingly if he or she understands fully the product and its benefits.

Retail Selling Process

Establishing Affinity and **Relationship**

Building Obligation and **Commitment**

Dealing with Customer Concern

Presenting the Features & Benefit

Method of **Approaching** the potential customer and Task

Anticipating and identifying a **Prospective** Sale

Preparing through Skills & Knowledge

Types of Sales Promotion

- Point of Purchase
- Point of Sale
- Contest
- Sweepstakes
- Coupon
- Frequent Shopper
- Prizes
- Demonstrations

- Referral Gifts
- Two for the Price of One
- Branded Giveaways
- Samples
- Premiums
- Special Events

Relationship Marketing & Loyalty schemes

Relationship Marketing:

Identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by a mutual exchange and fulfillment of promises.

Aim of Relationship Marketing:-

1.Build greater customer loyalty and retention,

2.Develop methods of creating longer-term relationships,

3.Lead ultimately to increased sales and profits.

The Growth of retail relationship marketing schemes

- The Relationship Marketing Ladder

1. Partner
2. Advocate
3. Supporter
4. Client
5. Customer
6. Prospect

Loyalty Card Schemes

- Retailers offers Club Card, Reward Card, Consumer Card to their Customer which allowed them to get special discount on every purchase, gifts, rewards etc.

- Relationship Marketing is that it makes business sense to focus on long –term financial benefits which may accrue once a customer has been won for the first time. It has been estimated that it is five to ten times more expensive to recruit a new customer that it is to retain an existing one. This is based upon the estimated cost of prospecting, advertising and selling, commission, product samples, credit checking, administration, and database management.

Lifetime Value Analysis:

- Life time value allows for the measurement of the total worth to the organization of its relationship with a particular identified customer over a period of time with the amounts discounted to provide a net present value.

- The analysis will reveal the profile of customers who provide high returns as well as those who are costly for the company to service. The LTV information will allow for improved decision making regarding:

- 1.Identifying certain individual for long term benefits through segmentation;

- 2.Improving media strategy through budgets;

3.Providing Selection policies for customer over a period of time;

4.Reactivate potential customer for winback policies;

5.Identifying Potential customer and consider as assets value for the organization.

The design and Implementation of a relationship marketing scheme

- RM (Relationship Marketing) requires the effective acquisition and retention of customers for the building of a more efficient operation and ultimately, a stronger competitive position. Acquisition is based upon the traditional approach to marketing with the identification of customer needs, development of a retail offer to satisfy those needs, and the targeting of prospects.

The movement from acquisition through to retention (based upon Gilbert, 1996) is described in the following seven steps of events:

1. Acquisition: Maintaining Customer Profile

2. Identify: Data base helps

3. Improve: Active Feedback process helps to Improve

4. Inform : Through Communication

5. Tempt: Through special targeted offers,

6. Retain: Through loyalty schemes and rewards,

7. Measure Lifetime value: Identify range of customer types which can increase higher profits.
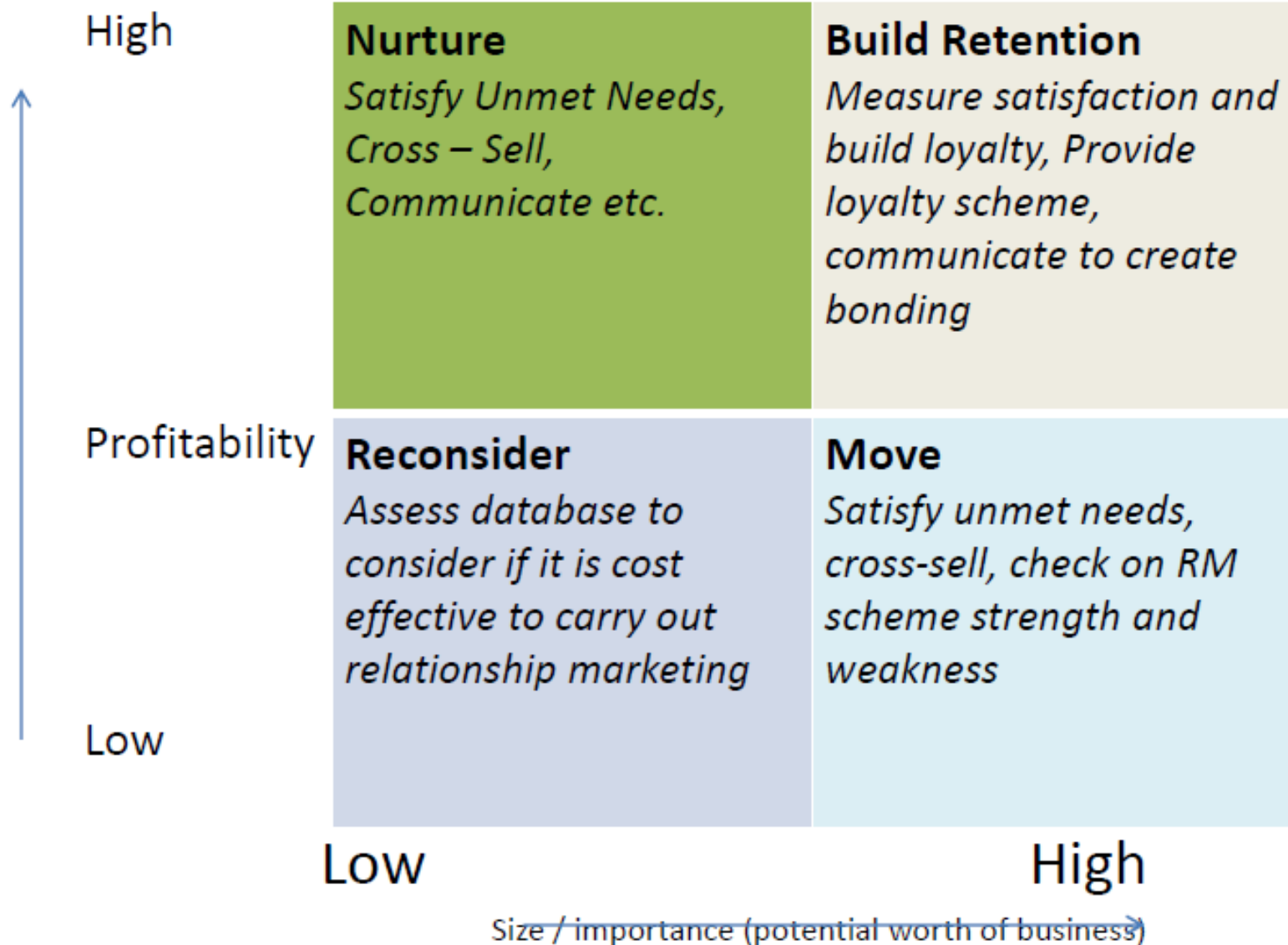
Defining Loyalty

- Loyalty is a state of mind which predisposes an individual towards a particular retailer and leads to a higher than normal proportion of expenditure to be devoted to the retailer's offers.

- There are two approaches that can be identified (Javalgi and Moberg, 1997):

1.Behavioral terms, usually related to the number of purchases and measured by monitoring the frequency of such purchases,

2.Attitudinal terms, incorporating consumer preferences and disposition toward to determine levels of loyalty.

In order to provide higher levels of profit, through loyalty, retailers need to ensure that they concentrate on developing a number of key areas that impact upon loyalty.

These are improve perception of perceived value, maximize customer satisfaction in order to create greater commitment and bonding, and ensure that any critical episodes in the interaction with customers have a positive outcome.

Assessment of customer database

	Nurture	**Build Retention**
High	*Satisfy Unmet Needs, Cross – Sell, Communicate etc.*	*Measure satisfaction and build loyalty, Provide loyalty scheme, communicate to create bonding*
Profitability	**Reconsider**	**Move**
	Assess database to consider if it is cost effective to carry out relationship marketing	*Satisfy unmet needs, cross-sell, check on RM scheme strength and weakness*
Low		

Low   **High**

Size / importance (potential worth of business)

- Loyalty should not be confused with satisfaction. However, a high level of satisfaction is a necessary yet not sufficient reason for loyalty as higher levels of satisfaction may reduce the reason for disloyalty. Satisfaction does not always result in retention or loyalty yet on the other hand dissatisfaction does not always result in defection (O' Malley, 1998).

- Hart et al. (1999) offer a number of reasons related to the decisions for setting up loyalty schemes:

- Building lasting relationships with customers by rewarding them for their patronage;

- Gaining higher profits through extended product usage and cross selling;

- Gathering customer information;

- De-commodifying brands (i.e. differentiating from the crowd);

- Defending market position (against a competitor's loyalty scheme); and

- Pre-empting competitive activity.

Types of Loyalty

- True Loyalty:– First purchase behavior

- Latent Loyalty:– Not on every occasion

- Spurious Loyalty:– Due to little difference which keeps a customer   loyal

- No Loyalty:– customer move around from retailer to retailer as there is little benefit and difference perceived

Public Relations

- Public Relations is non-personal communication which changes opinion or achieves coverage in a mass medium, which is not paid for by the source. The coverage could include space given to a press release or favorable editorial comment.
- A company which has good links with the media is more likely to have the opportunity to stop or moderate news that could be damaging to the company.
- The major benefit of PR is that it can promote and enhance company image.

Benefits of Good PR Effort and Coverage

- Perceived as neutral retailer,
- Credible and believable,
- Helps to build image of a brand and develop favorable opinion,
- Can generate increased sales,
- Cost Effective to promote seasonal merchandise and new company or sales initiatives,
- Can Possibly limit or neutralize negative or hostile opinion,

Public Relation Activities

- Media information releases/contact/speeches,
- Production of PR materials (Video, CDs, Web information, Press Kits, Corporate identity materials etc.)
- PR events, Media conferences and newsworthy 'stunts'
- Advertorials (which require PR copy along with an advertisement),
- In-house and customer magazines,
- Facility visit to store etc.
- Sponsorship and Donations,
- Lobbying.