

BBA SEM – V**ADVANCE MARKETING MANAGEMENT - I****(CODE: UM05EBBI10)****UNIT 4: RETAILING**

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INTRODUCTION

Retail, by definition, is the sale of goods or service from a business to a consumer for their own use. A retail transaction handles small quantities of goods whereas wholesale deals with the purchasing of goods on a large scale. Retail transactions are not to be confused with online transactions; goods must be sold from a single point directly to a consumer for their end users.

A retailer is a person or business that you purchase goods from. Retailers typically don't manufacture their own items. They purchase goods from a manufacturer or a wholesaler and sell these goods to consumers in small quantities.

Retailing is the distribution process of a retailer obtaining goods or services and selling them to customers for use. Companies carry out market research to know customer attitude towards their products but the customer's real intent are displayed only during the process of buying in retail stores. A company can develop insights into the behaviour of its customers as they shop in the retail store. But most retail stores are not owned by the companies whose items are sold in them. Retailers have huge amount of information about customer behaviour but all this information is not passed on

faithfully to the companies. A retailer's prime affinity and loyalty is towards the customers of his store, and not to the companies whose goods he sells. Companies either need to have more leverage with the retailers or own some retail stores themselves to be able to know their customers better.

It is a huge managerial challenge to run a retail operation. A retailer is required to have both marketing and operational skills. He needs empathy to understand customer requirements but he also has to be indifferent enough not to let customer anguish about the products in his store bother him. He has to remember that he sells the manufacturer's products and it is manufacturer's duty to make right products for the customers. The retailers' focus has to be on getting the operation of his store right, which is itself a stupendous task. The retailer has to get the right assortment of products in the store in an efficient way, arrange the products in a way that stimulates purchase and minimizes inconvenience for customers and manage a group of friendly and effective salespersons.

Consumer decision-making involves not only choice of products and brands, but also the choice of retail outlet. Most retailing is conducted in physical stores of various types having various product assortments, but non-store retailing such as mail order, automatic vending, and internet sales accounts for large amount of sales, especially in developed countries. In developing countries, these formats are slowly finding acceptance now. Retailing provides making products available when and where customers want to buy them. Its international nature is increasing and is emerging as an important service.

DEFINITIONS

Philip Kotler: "Retailing includes all the activities involved in selling goods or services to the final consumers for personal or non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing."

The North American Industry Classification System (NAICS): “The retail trade sector comprises of establishments primarily engaged in retailing merchandise (producer), generally without transformation, and rendering services incidental to the sales of merchandise.”

TYPES OF RETAIL FORMATS

There are several distinct types of retail stores with each different from the other in terms of product assortment, level of service, and price level depending upon the requirements of its target market.

1. Department stores

A department store has many departments or sections, each carrying a different product line. The department store carries a wide variety of shopping and specially goods including apparel, cosmetics, housewares, etc. Purchases are generally made within each department. Each department is treated as a separate buying center. Each department is headed by a buyer or department head who selects the merchandise for his department, and is also responsible for promotion and personnel. To maintain a uniform image, the store management sets broad policies about the types of merchandise carried and price ranges. The store management is also responsible for overall advertising program, credit policies, customer service, etc. most department stores are owned by national chains.

Department stores are under attack. Customers have become cost conscious. Specially retailers, discounters, catalog outlets are offering superior merchandise selection, better pricing, and greater convenience to take sales away from department stores. Many manufacturers are opening their own stores and discounters are upgrading their merchandise, taking away sales from department stores. In response department stores are repositioning as specialty outlets. They are dividing into miniboutiques each featuring a different product category, as specialty stores do. They are also upgrading their service to shift the attention away from price.

2. Speciality store

These stores target their merchandise to specific target markets. The store specializes in a given type of merchandise like children's clothing, sporting goods, etc. A speciality store carries a deeper but narrow assortment of merchandise than department store. The knowledgeable sales personnel of these stores provide better customer service. The format has become very popular in the apparel market and other areas. Customers usually consider price to be secondary in specialty outlets. The distinct merchandise, the store's physical appearance, and the caliber of the staff determine its popularity. Because of their attention to the customer and limited product line, manufacturers often favour introducing new products in small specialty stores before offering them to larger retail and department stores. Small specialty stores also provide a low risk testing ground for many new products.

3. Supermarkets

Supermarkets are large, departmentalized, self-service stores that specialize in food and some non-food items. Supermarkets are facing declining sales because dual-income families are eating out more, and are preferring prepared food. There is growth in the away-from-home food market due to increase in the number of working women. They are willing to pay for convenience and time-saving products, and prefer one-stop shopping due to paucity of time. Supermarkets have responded by increasing the size of their operations to meet the customer need for variety, convenience, and services including pharmacies, flower shops, in-store bakeries, takeout food sections, sit-down restaurants, video rentals, dry cleaning services etc.

4. Convenience stores

Convenience stores are miniature supermarkets, carrying only a limited line of high-turnover convenience goods. These self-service stores are located near residential areas and are open for long hours. Customers pay for the convenience of location, long hours, and fast services. Due to competition

from supermarkets and discount stores, these stores are also extending their offering of non-food items.

5. Discount stores

A discount store competes on the basis of low prices, high turnover and high volume. These are two types of discounters.

(a) Discounters or merchandisers

These stores offer very limited service and carry a broad assortment of well-known national brands of hard goods like housewares, toys, hardware, sporting goods, clothing, bedding, linen, etc. some even carry limited nonperishable food items, such as soft drinks and canned food. The retailing strategy to get high turnover of products. Wal-Mart is the most renowned discounter.

(b) Speciality discounter stores or category killers

Category killers sell a single line like sporting goods, electronic, office-suppliers, toys, etc. these stores offer a nearly complete selection of single-line merchandise and use self-service, discount prices, high volume, and high turnover. Home depot and Staples are famous category killers.

RETAIL LOCATION

Alike modern marketing mix, in retailing, too, the store location is an important 'P' in marketing mix. Store location is a decisive factor that affect consumer buying decisions. Due to crowded market places, frequent traffic jams, parking problems, tight work schedule, concept of fast life, cost of travelling, and many other issues, the retail location has its own unique place in retail business. Actually retail location is strategic decision that affects company's effort of offer product more conveniently than competitors. It is irreversible decision; once a store comes into existence, it is fairly difficult to change the location. Location adds value to retailer's offer. Retail store location decision

must be taken with due consideration of several significant variables. Retail store location is among most critical decisions.

Important decisions are:

1. In which state to locate the store? It implies selection of region.
2. In which business district to locate the store? It implies selection of district in particular region.
3. In which part of district center to locate the store? It implies selection of particular area of business district.
4. In which area or locality of selected district, city, or town to locate the store? It implies exact location (site) of store in selected areas, for example, central part of city, or in newly developed commercial center of a particular city.
5. At how many places in the city to locate the store? It implies one or more stores in a selected city or locality.

Factors affecting location:

- Size and characteristics of market (population)
- Level of competition
- Access to transportation
- Parking space availability
- Attributes of nearby stores
- Property costs
- Length of agreement
- Population trends
- Legal restrictions
- Other factors

Store location may be:

1. Freestanding/ Isolated store

- Where there are no other outlets in the vicinity of the store and therefore store depends on its own pulling power and promotion to attract customers.
- A biggest advantages for freestanding stores is that there is no competition around
- This type of location has several advantages including no competition, low rent, and often better visibility from the road, easy parking and lower property.
- Neighborhood stores; colony shops serves small locality.
- Highway stores: Ebony store in Ludhiyana.

2. Business Associated Location

These are location where a group of retail outlets offering a variety of merchandise work together to attract customers to their retail area, but also compete against each other for the same customers. Two types includes in:

(a) Part of business district/ centers (unplanned business districts)

- A retail store can also be located as a part of a business district. Or we can refer this (a unplanned business centers)
- A business district is place of commerce in a city which developed historically as the center of trade and commerce in the city or town.
- A business districts can be a central, secondary or a neighborhood business district.
- A Central Business District (CBD) is the main center of commerce and trade in the city, (high land rates, and intense development).
- A CBD is the hub of retailing activity in a city
- CBD served different sections of population for Examples of Cannaught place in Delhi, Colaba in Mumbai, Commercial Street and in Bangalore are up market CBD's.
- CBD's serving the upper and upper middle class customers across these cities 'like, Chandani chowk in Delhi, Kalbadevi-Bhuvneshwar in Mumbai, Chickpet in Bangalore.

- Secondary Business District are composed of unplanned cluster of store often located 3 on a major intersection of city they a customers from a large part of the city.

(b) Part of a shopping center (Planned Shopping Centers)

A shopping center has been defined as a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property". The basic configuration of a shopping center is a "Mall or Strip Centre". A mall is typically enclosed and climate controlled. A walkway is provided in front of the stores. A strip center is a row of stores with parking provided in the front of the stores.

In India we can planned shopping center can categorize in two category

(a) Regional shopping centers or Mall

Regional shopping centers or mall are the largest planned shopping centers. Often they are anchored by two or more major department stores have enclosed mall serve a large trading area and have high rents.

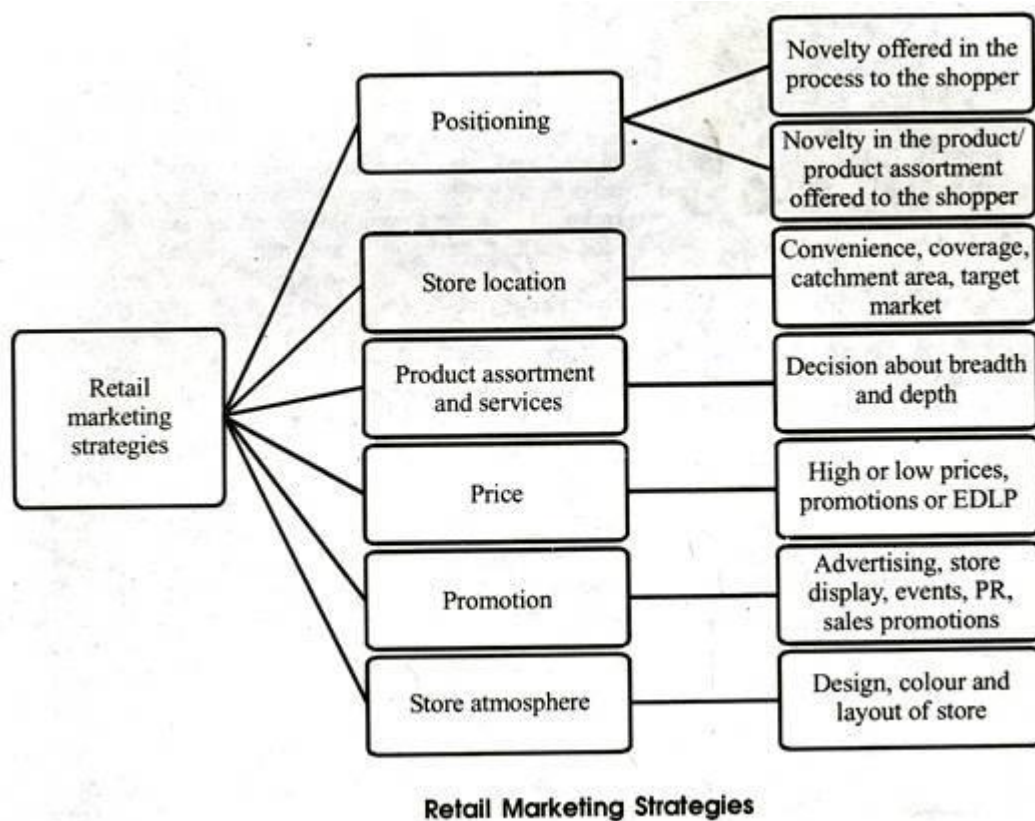
(b) Neighborhood/ Community/ Shopping Centers

Neighborhood/ community/ shopping centers usually have a balanced mix of stores including a few grocery stores, a chemist, a verity, store and a few other stores selling convenience goods to the residents of the neighborhood.

RETAIL STRATEGIES

Some of the best retailing strategies to to decide the target market and then select the appropriate combination of product, price, place and promotion are as follows:

A retailer needs to decide as to what it wants to achieve for its customers. It has to decide the target market and then select the appropriate combination of product, price, place and promotion.



1. Retail positioning

This involves choice of target market and differential advantage. Targeting allows retailers to tailor the marketing mix which includes product assortment, service levels, store locations, prices and promotion, to the needs of their chosen customer segments.

Differentiation provides a reason to the customer to shop at one store rather than at another. The customer should have distinct expectations from the store when he walks into it which should be different from the expectations that he has when he walks into another store. Retail positioning comes from novelty in the processes of shopping offered to the customers and novelty in the product assortment or both.

(a) Novelty in the process offered to the shopper

The way a store facilitates a shopper to make his choice of products and brands, the way he is able to access the items in the store, and the way he makes his payments, determine a customer's satisfaction with a store.

But a customer does not want a similar treatment for all his purchases and on all occasions when he visits the store. For some products, his choice of brand may be very clear, and a salesperson's attempt to help him would only irritate him.

But for some other products, the same customer would solicit help of salespersons in making a choice among brands and would welcome a salesperson's attempt to influence his purchase. For some purchases, the customer would like his favourite brand to be placed prominently on the shelf.

But when he does not have a clear brand choice, he would not mind some clutter on the shelves because he wants all the brands to be available. Most customers would prefer to be allowed to pay their bills as early as possible but on some occasions they would be more tolerant of delays than on others.

Customers would be finicky about delays in making payments when they are rushing home after office but they would be more relaxed during their weekend shopping trips. While it is not easy to distinguish between customers and their purchase occasions, the retailer will have to make judgments about the expectations of a customer when he walks into the store.

It will be a good idea to allocate a particular salesperson to a customer, i.e., when a customer walks in he is always served by a particular salesperson rather than different salespersons depending on what he proposes to buy.

Such salespersons specialize in a product category and assist any customer who is interested in the category. Under the new arrangement, all salespersons would have to know enough about all the product categories but would know more about the purchasing behaviour of a set of customers allocated to them.

(b) Novelty in the product/product assortment offered to the shopper

A retail shop has to be known for being of a certain type. A store may be famous for being very prompt in stocking the latest or the most fashionable product. Another may be known for stocking all possible variety in a category and yet another may be famous for stocking the most premium brands.

A store would become too unwieldy if it tries to have too many different types of assortments. A store which stocks the latest products in a category will also be able to stock the most premium brands of the category but the attention of the company will be divided and it will be difficult to handle relationships with diverse suppliers whose business philosophies are different. Such a strategy will also send conflicting signals to customers as to what the store really stocks well.

2. Location of the retail store

For some products like groceries, consumers do not like to go to a faraway store. Therefore, store location has great influence on sales performance of such products. A retailer has to decide whether it will be a standalone store in a city, or will it open stores to cover a designated area like a city, state or country. A retailer may decide to open one store in each city.

The retailer has to buy from distributors to replenish its stocks. Or it decides to open as many stores as a city can sustain, and moves to another city and again opens as many stores as that city can sustain. Therefore, it covers cities one by one, instead of opening one store in each city. It opens a distribution center in each city.

The distribution center receives supplies for all the stores in the city in a single truck from each supplier. Smaller lots of each of these supplies are loaded on trucks bound for each store. The retailer buys from the manufacturer directly, and does not have to buy from distributors.

A retailer's choice of a city depends upon factors like its congruence with its chosen target market, the level of disposable income, the availability of suitable sites and level of competition. A retailer's choice of a particular site in a city depends on level of existing traffic passing the site, parking facilities, presence of competitors and possible opportunities to form new retailing centers with other outlets. When two or more non-competing retailers agree to site outlets together, the retailing center can draw more customers than what each individual store would have been able to do.

More than proximity to customers, the location of a store is important in terms of how often the target customers are likely to visit the site as they live their lives. The lifestyle of the target customers, and the goods and services that they buy will decide whether they will visit the site or not, and how often.

Being in the place which the customer will visit in pursuance of his lifestyle will ensure that the customer will walk into the store. This aspect is important because customers are combining purchases of different genre of goods and combining purchases of goods and pursuance of entertainment.

3. Product assortment and services

A retailer has to decide on the breadth of its product assortment, and also its depth. A retailer may have a broad product assortment, but within each product line, it can stock a shallow product range. Or it can have a narrow product assortment, but within each product line, it can stock a deep product range.

Therefore, a retailer's choice of product assortment ranges from stocking one deep product line to stocking a broad range of products including toys, cosmetics, jewellery, clothes, electrical goods and household accessories. A retailer begins with one or limited product lines and gradually broadens product assortment to be able to sell more products to customers who come to its store.

Petrol stations start out as fuel providers, and expand by adding provision stores or food outlets to maximize the revenue that can be obtained from the customer. Some stations on the highway may also add a Cineplex to make their retail outlet a one-stop entertainment and utility center for the customer.

By expanding its product assortment, a retailer reduces price sensitivity of customers because a traveller stops at a petrol station as he can buy an assortment of products, and not because its fuel cost is low. A retailer's decision of the product assortment that he will stock will depend on its positioning strategy, the expectation that its customers have come to have of it, and also on the profitability of product lines that it carries.

It may be prompted to drop slow moving unprofitable lines unless they are necessary to conform to the range of products expected by its customers. A retailer also has to decide whether it will sell only manufacturer brands, or it will have its own label or store brands. Most manufacturers may sell own label brands products to compliment manufacturer brands.

Retailers need to consider the nature and degree of customer service. Degree of service can vary from customers being expected to search for their items to elaborate displays and suggestions from sales personnel. Retail outlets for expensive items like cars provide elaborate services in the forms of product displays, test drives and arrangement of loans, whereas in a discount store, customers would have to select their items, sometimes from heaps of merchandise.

Service levels have to be higher when customer knowledge levels are low, expertise is required to buy the right product (that the customer lacks), the products are expensive (money spent in relation to customer's disposable incomes are high).

The retailer can also use service levels as a means of differentiating his offer when the product assortment is similar to those of competitors. For instance, a cosmetics store can employ its personnel as grooming advisors to help a customer choose relevant products from the store.

4. Price

A retailer may choose to compete purely on price, but price can be a differential advantage only when a retailer has immense buying power, and has been able to control cost. A retailer may favour everyday low prices rather than higher prices supplemented by price discounts.

Such a retailer is patronized by customers who prefer predictable low prices rather than occasional price discounts. A retailer may sell no-frill products, which are basic commodities such as bread and soft drinks that are sold in rudimentary packaging at low prices. It appeals to the price conscious shopper who wants standard products at low prices.

Some retail items may be priced very competitively to generate more demand for other items. Such products may often be sold below cost and are called 'loss leader'.

The idea is that the customers get attracted to the low price of the 'loss leader' and walk in the store to buy the item but may end up buying many more items. The items chosen for inclusion should be widely known and bought on frequent basis.

5. Promotion

Retail promotion includes advertising, public relations, publicity and sales promotion. The goal is to position the store in consumers' minds. Retailers design ads, stage special events and develop promotions aimed at their markets.

A store's opening is a carefully orchestrated blend of advertising, merchandising, goodwill and glitter. All the elements of an opening—press coverage, special events, media advertising and store displays—are carefully planned.

Retail advertising is carried out at the local level, although retail chains can advertise nationally. Local advertising by retailers provides specific information about their stores, such as location, merchandise, hours, prices and special sales. In contrast, national retail advertising generally focuses on image.

A popular retail advertising practice is cooperative advertising. Under cooperative advertising, manufacturers pay retailers to feature their products in store mailers or the manufacturer develops a TV or print ad campaign and includes the name of the retailers carrying the product at the end.

Many retailers are avoiding media advertising in favour of direct-mail or frequent shopper programmes. The frequent shopper programmes offer perks ranging from gift certificates to special sales for most frequent shoppers. Direct-mail and catalogue programmes may be a cost effective method of increasing store loyalty and spending by core customers.

6. Store atmosphere

Store atmosphere is created by the design, colour and layout of a store. A retailer works on both exterior and interior designs to create an appropriate store atmosphere. The store atmosphere should prompt target customers to visit the store and stimulate them to buy once they are in the store.

External designs include architectural design, signs, window display and use of colour that create identity for a retailer. The image which is projected should be consonant with the ethos of the store. For instance, a kids' store is usually bright, vibrant (may be in the shape of Mickey Mouse) and colourful to attract the child and make him want to buy things in the store.

Such a store should generally have lots of space for the child to move around and explore his world. Even the salespeople should match the child's temperament. They should be playful. Interior design like store lighting, fixtures and fittings as well as layout, affect store atmosphere.

If a store has narrow aisles, it appears congested and unclean, the customers may not like to spend too much time in such an environment. A poorly lit store is uninviting.

Colour, sound and smell affect mood of customers, and customers stay longer in stores which are colourful, plays good music and smells good. People attribute different meanings to different colours, and a retailer uses colours to create the desired atmosphere in the store. Music can be used to create a relaxed atmosphere, and make the customers linger on in the store.
