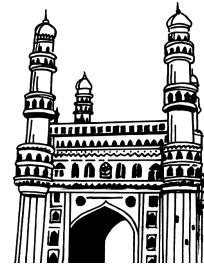


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*III Year V Semester*

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# **RETAIL MANAGEMENT**

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# RETAIL MANAGEMENT

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## *Important Questions*

### UNIT - I

1. Explain the meaning and definition of retailing.

*Ans :* (July-21, Dec.-20)

Refer Unit-I, Q.No. 1

2. What are the types of retailing?

*Ans :* (Dec.-19, Imp.)

Refer Unit-I, Q.No. 10

3. Explain the characteristics of retailing.

*Ans :* (Dec.-19, Imp.)

Refer Unit-I, Q.No. 11

4. What are the functions of retailing?

*Ans :* (July-21, Dec.-20, July-19)

Refer Unit-I, Q.No. 12

5. What are the activities of retailing?

*Ans :* (Dec.-20, July-19)

Refer Unit-I, Q.No. 13

6. Discuss the Emergence and growth of Retailing in India.

*Ans :* (Dec.-18, Imp.)

Refer Unit-I, Q.No. 14

7. Discuss the Pro's and Con's of FDI in retailing.

*Ans :* (July-21, Imp.)

Refer Unit-I, Q.No. 16

8. Explain in detail the opportunities in retail industry in India.

*Ans :* (Dec.-19, Imp.)

Refer Unit-I, Q.No. 18

### UNIT - II

1. "Traditional retail formats are facing threat in many ways". Explain with examples.

*Ans :* (Dec.-18, Imp.)

Refer Unit-II, Q.No. 4



2. Compare and contrast traditional retailing and global retailing.

*Ans :* (Imp.)

Refer Unit-II, Q.No. 7

3. Define Franchising. Explain the features of Franchising.

*Ans :* (July-21, Imp.)

Refer Unit-II, Q.No. 11

4. What are the different types of Franchising?

*Ans :* (Dec.-20, Dec.-18)

Refer Unit-II, Q.No. 12

5. Write about Advantages and Dis-advantages of Franchising

*Ans :* (Dec.-20, July-19)

Refer Unit-II, Q.No. 13

6. Illustrate the environmental theory of retail development.

*Ans :* (July-21, Imp.)

Refer Unit-II, Q.No. 16

7. Explain the concept of the retail life cycle.

*Ans :* (Imp.)

Refer Unit-II, Q.No. 19

### UNIT - III

1. Explain the factors which influence merchandizing.

*Ans :* (Dec.-20, Dec.-19, July-19)

Refer Unit-III, Q.No. 6

2. Discuss the functions of merchandizing manager.

*Ans :* (July-21, Dec.-20, Dec.-18)

Refer Unit-III, Q.No. 7

3. Demonstrate the steps of merchandise planning process.

*Ans :* (July-21, Imp.)

Refer Unit-III, Q.No. 10

4. Explain in detail retail merchandising as an essential part of store planning.

*Ans :* (Imp.)

Refer Unit-III, Q.No. 11

5. Explain the methods of merchandizing performance appraisal.

*Ans :* (Dec.-18, Imp.)

Refer Unit-III, Q.No. 14

6. How do you check and correct the merchandising performance.

*Ans :* (July-19, Imp.)

Refer Unit-III, Q.No. 15

#### UNIT - IV

1. Store layout design helps in high retail performance. Explain.

*Ans :* (Imp.)

Refer Unit-IV, Q.No. 4

2. Explain the different types of store layout.

*Ans :* (Dec.-18, Imp.)

Refer Unit-IV, Q.No. 5

3. Explain the role of visual merchandizing in retailing.

*Ans :* (Dec.-20, Dec.-19)

Refer Unit-IV, Q.No. 10

4. Define retail promotion. Explain the factors effective retail promotion.

*Ans :* (July-19, Imp.)

Refer Unit-IV, Q.No. 12

5. Exemplify the elements of retail communication mix.

*Ans :* (July-21, Imp.)

Refer Unit-IV, Q.No. 22

6. Define POP. Explain various types of POP Displays.

*Ans :* (July-21, Dec.-18)

Refer Unit-IV, Q.No. 23

**UNIT - V**

1. What are roles and functions of channel distribution?

*Ans :* (July-21, Dec.-20)

Refer Unit-V, Q.No. 4

2. Explain the criteria for selecting channel partner for consumer durable products.

*Ans :* (July-19, Imp.)

Refer Unit-V, Q.No. 7

3. Discuss the motivation and control of channel participation in retail management.

*Ans :* (July-21, Imp.)

Refer Unit-V, Q.No. 8

4. Design the channel mix of automobile spare parts.

*Ans :* (Imp.)

Refer Unit-V, Q.No. 10

5. Define channel conflict. Explain different types of channels conflicts.

*Ans :* (Imp.)

Refer Unit-V, Q.No. 12

6. How do you manage channel conflicts in retailing? Discuss in detail?

*Ans :* (Dec.-18, Imp.)

Refer Unit-V, Q.No. 14

7. Define and explain the meaning of physical distribution system.

*Ans :* (Imp.)

Refer Unit-V, Q.No. 17

8. Explain the need and importance of physical distribution.

*Ans :* (Dec.-18, Imp.)

Refer Unit-V, Q.No. 20

9. What is the role of customer relationship management in building customer loyalty?

*Ans :* (Dec.-19, Imp.)

Refer Unit-V, Q.No. 21

# UNIT I

## Introduction to Retail Management :

Retailing: Role, Relevance and Trends - Introduction to retailing - Types of Retailing, Characteristics of Retailing, Functions and activities of Retailing. Emergence and growth of Retailing in India, FDI in Indian Retailing.

### 1.1 INTRODUCTION TO RETAIL MANAGEMENT

**Q1. Explain the meaning and definition of retailing.**

(OR)

**Define retailing.**

*Ans :* (July-21, Dec.-20)

#### Introduction

The word retailer has been derived from the French word "Retail" which means to sell in small quantities, rather than in gross. A retailer is a person who purchases a variety of goods in small quantities from different wholesalers and sell them to the ultimate consumer. He is the last link in the chain of distribution from the producer to the consumer.

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.

#### Meaning of retailing

Retailing is one area of the broader term, e-commerce. Retailing is buying and selling both goods and consumer services. With more number of educated and literate consumers entering the economy and market, the need for reading the pulse of the consumers has become very essential.

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.

#### Definitions

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.

(i) **According to Cundiff and Still,** "Retailing consists of all those activities involved in selling directly to ultimate consumers".

(ii) **According to Mc. Carthy,** "Retailing is selling to final consumer products to households".

Retailing is useful for the satisfaction of human wants. There is a close relationship between retailer and his customers. The retailer provides various facilities and services to the customers.

Retailing is a dynamic industry which has undergone significant changes over the last few years. The emergence of cultural changes and technological advancement has far reaching impact behind the changing pattern of retail industry.

**Q2. What are the essential features of retailing?**

*Ans :*

- (i) Retailing is essentially an economic activity.
- (ii) It includes sales of goods as well as services.

- (iii) It involves earning profits through customer satisfaction and retention.
- (iv) It aims at increasing the number of customers.
- (v) It is very dynamic by nature.
- (vi) It is customer oriented.
- (vii) It involves lesser quantity in terms of the goods sold.
- (viii) It involves personal touch with the customer.
- (ix) It is the last link in the distribution channel.
- (x) It attracts customers by using various methods such as discounts, vouchers, lucky draw schemes, coupons, etc.
- (xi) It includes the customers who buy the articles for non-business purposes.

**Q3. Explain the scope of retailing.**

*Ans.:*

**(Dec.-20)**

Retailing includes the activities in selling consumer's goods to the ultimate consumer. It focuses on ultimate, rather than industrial consumers. The scope of retailing includes the following points which are discussed as follows:

**1. Store Management**

Retailers acknowledge the importance of store management for the success of business. It has two-way bearing on retail business - it not only attracts business by ensuring convenience to customers but also places the merchandise in accordance with the salespersons' work allocation. The key objectives of retail store management is to obtain a high return on investment by increasing the productivity of retail space, which requires effective utilisation of space for merchandise display and customer movement, and to ensure a compatible, exciting and rational interface between the customer, merchandise and sales people.

**2. Supply Chain Management**

Supply Chain Management is the systematic, strategic co-ordination of the traditional business functions and the tactics across these

business functions within a particular company and across business within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole. It is a systems approach to managing the entire flow of information, materials, and services from raw materials suppliers through factories and warehouses to the end customer.

**3. Vendor Management**

It is the management and control, by an entity, of those third parties that supply goods and/or services to that entity. Product specification and product economy have made it incumbent on industries of all types to procure semi-finished and/or finished materials and components and to buy from each other.

This involvement has made the management of quality and reliability a far more complicated affair. As quality has to be built into the product through all the stages of production operations and during assembly, it has, therefore, become necessary to exercise rigid control on purchased materials and bought-out components to ensure quality and reliability. To achieve this and other objectives and effective system of co-ordination between the supplier and the buyer has become necessary. This has to be established through a good vendor-vendee relationship plan.

**4. Inventory Management**

Inventory management is maintaining the requisite inventory stocks to meet customer requirements while simultaneously ensuring that its carrying cost is as low as possible. It basically means striking a balance, in-customer service, between not losing market opportunity and the cost to meet the same. The inventory is the greatest culprit in the overall supply chain of the firm because of its huge carrying cost, which indirectly eats away the profits. It consists of the cost of financing the inventory, insurance, storage, losses, damages, and pilferages.

**5. Category Management**

Category management is the process of managing a retail business with the objective of maximising the sales and profits of a category rather than the performance of individual brands or models. It systematises grouping of products into strategic units or category so as to better meet consumer needs and achieve sales and profit goals. Category Management lacks a single definition thus leading to some ambiguity even among industry professionals as to its exact function. A retailing process in which first of all, like minded products in a retailer's total portfolio are lumped together into product groups called 'Categories'. So examples of Categories would be, for example, toothpastes, washing-up liquids, baked beans, dog foods, cosmetics, shoes etc.

**6. Customer Relationship Management (CRM)**

Customer Relationship Management is a strategy adopted by business firms in recent years and includes the formulation of methodologies and tools that help businesses manage customer relationships in an organised way. CRM processes are extremely helpful in identifying and targeting the best customers of the business firm and generating quality sales leads, as well as in the planning and implementation of marketing campaigns with definite goals and objectives. The processes involved in CRM can help the firm maintain a customised relationship with the customers for creating higher-level customer satisfaction and offering the finest customer service.

**Q4. Explain the nature of retailing.**

*Ans :*

Retail business can be divided into certain categories on the basis of margin-turnover retail operations this framework is useful in planning and development of retailing strategy. Margin and turn over are the key parameters of retailing. The success

of retail outlet depends on these two parameters. Margin is defined as the percentage mark-up at which the inventory in the retail store is sold and turnover is defined as the number of times the average inventory sold in a year.

**1. Low Margin High Turnover**

Retailing may be low margin and high turnovers like in big bazaar, Vishal Megamart, Wal-Mart, Pantaloon etc. they have wide variety of FMCG in several merchandise lines. These stores are located near to the consumers.

**2. High Margin and Low Turnover:**

These stores are having distinctive merchandise and sales approach. The stores in this category price their products above the market price. These store provide many specific services and sell special category of products, these stores are located in prime place. Examples are Lifestyle Chain, Armani DLF, Omega, Ethos etc.

**3. High Margin-High Turnover**

Stores are those which have narrow line of items that turn over these are located in a non-commercial location, overhead cost may be high, but high prices can ensure profitability, example are convenience food outlet.

**4. Low Margin Low Turnover Retail**

Stores are having competitive low price, at the same time sales volume is also low, their location is also poor, and they face difficulty to survive in market.

**1.2 ROLE, RELEVANCE AND TRENDS****1.2.1 Role of Retailing****Q5. Explain the role of retailing.**

*Ans :*

**1. Support Advertising**

Retail advertising is used inside of stores to support national, regional and local

advertising. For example, if a national manufacturer for detergent is conducting a television commercial campaign offering consumers 20 percent off for a limited time, the role of retail marketing is to provide support via signage and displays inside of stores when shoppers arrive to support the effort.

## 2. Drive Category Sales

Manufacturers and distributors for products sold in stores are "categorized" by the type of product they offer to retail customers. Products sold in grocery stores are defined in terms of categories for food, beverage, laundry, snacks and other categories. Department stores are categorized in terms of clothing, furnishings, decor, perfume and more. The top sellers within each respective category compete to become the "category leader." By becoming the category leader the manufacturer gains authority and credibility to recommend an increase of how much space they can obtain for the products and brands carried inside of the store.

## 3. Cross-Selling and Up-Selling

Retail marketing also includes strategies and tactics to cross-sell and "up-sell" products and merchandise to increase overall expenditures by each shopper. During the summer barbecue season a grocery store might combine and "cross-sell" a promotion that gives shoppers 50 percent off on the purchase of fire lighting fluid with the purchase of a 10-lb. bag of charcoal. The up-sell strategy could be to give the fire lighting fluid free with the purchase of a 20-lb. bag of charcoal.

## 4. Shopper Navigation

Aisle and category signage and other devices to direct shoppers to locate products is a role of retail marketing whose importance should never be underestimated. A busy mom needs clear directional signage to get to the right store aisle to purchase what she wants. A husband depends on store navigation to guide him to

the right shelf to purchase a drug medication needed for his children, while the wife is at home giving care. Shopper marketing experts estimate that a shopper can spend less than four seconds in making a decision on what to purchase on a retail shelf. Providing proper navigation to the appropriate aisles and store shelves helps guide customers to products and generate merchandise sales.

## 5. Customer Relationship Management

Customer relationship management (CRM) is the term used to describe information captured about shoppers. The information is used to develop databases that can be mined to target consumers based on their geography, product preferences, expenditures and more. CRM is a tool that savvy retail marketers use to develop advertising, promotions and events by offering products and services that align with the tastes and preferences of their customers and shoppers.

## Q6. Write the role of retailers in creating customer satisfaction.

*Ans :*

(July-19)

### 1. Personalized Experience

The retail can create customer satisfaction by personalizing the shopping experience for the customer. Examples of creating personalized experience for the customer include sending birthday wished to the customer, keeping the products ready and packed etc.

### 2. Competitive Pricing

The retailer can create customer satisfaction by providing the products and services at best or competitive prices. For example, D-mart store provides its customers products at discount prices, offers, etc. Thus satisfying its customers.

### 3. Address Customer by Name

In case of repeat loyal customers, the retailer can address the customer by his name. Thus, creating a positive human relationship with the

customer. Further after the customer had made the purchase, the retailer may see off the customer with a 'Thank You'.

#### 4. Available for Help

The retailer can increase the customer satisfaction by being available to the customer as and when required. The retailer should be quick and ready to provide product or service information, classify customer doubts (if any) etc.

#### 6. Create Memorable Experience

The retailer can create a good and positive atmosphere in the store in such away that the customer feels alive, energetic and happy after visiting the retail store. This would boost customer satisfaction and create a group of loyal customers for the retailer.

### 1.2.2 Relevance of Retailing

#### Q7. Explain the relevance of retailing.

*Ans :*

The importance of retailer in providing various services to consumer and channel member are as follows :

#### 1. Importance for Consumers

Retailers are served the consumers in innumerable ways as follows :

- (i) **Selection:** The retailer keeps stock of different varieties of goods. An average consumer cannot afford to stock goods that he requires for every day use.
- (ii) **Variety of Goods:** The retailer keeps a good assortment of various varieties of a product manufactured by different firms.
- (iii) **Demand Creation:** Most of the demand creation methods are undertaken by retailers for the manufacturers and wholesalers. They arrange for the display of goods, supply necessary information to the customers and provide various similar services.

(iv) **Distribution:** The retailer is an expert in the distribution of consumer goods. Out of their experience, training and intimate knowledge of the goods, they are in a position to keep the customers in the proper selection of goods.

(v) **Credit Facility:** The retailer often extends credit facilities to the consumers. These alone account for larger sales volume.

(vi) **Personal Services:** The retailer provides many personal services to the customer such as home delivery, after-sales-service, liberal exchange of goods, etc.

(vii) **Sale on Approval:** As the retailers are very close to the consumers, they sell the goods on approval basis. Under this type of selling, the consumer is given the facility that if goods are not of their choice or are not approved by the family members, they can return the same within a specified time limit.

#### 2. Importance for Wholesalers and Producers

Retailers serve the wholesalers and producers in the following ways:

- (i) **Access to Customers:** For suppliers, the most valuable benefits provided by retailers are the opportunities they offer for reaching the supplier's target market, building product demand through retail promotions, and providing consumer feedback. The knowledge and skills offered by retailers are key for generating sales, profits, and customer loyalty for suppliers.
- (ii) **Advertisement of New Products:** As the retailers are in direct touch with the consumers and they know the needs and wants of the consumers. They are in a position to influence the decision of the consumers to buy a new product. Consumers consult the retailers to know the characteristics and utilities of the new product.



**(iii) Arrangement to Sell the Goods:**

Retailers and only retailers sell the product to innumerable small consumers and thus relieve the wholesalers from selling the goods to ultimate consumers in small quantities.

**(iv) Information about Consumers' Habits, Tastes and Needs:**

As the retailers are in close touch with the consumers and have full knowledge of their habits, tastes, needs and preferences. They also know the change in their tastes, habits etc.

**Q8. Describe the Challenges of Retailing.**

*Ans :*

Growth of organised retail in India is affected due to following limitations:

**1. Poor Logistic and Infrastructure:**

Well-developed transport and communication, facility of warehousing are pre-requisite for the growth of organised retail. India has poor infrastructure, road connectivity between rural and market centers is not developed. Warehouse facility is poor and it is dismal in case of cold storage.

Due to poor warehousing, large amount agricultural products are damaged, that neither benefits consumer or farmer. Banking and insurance is growing but growth is not enough to cover the rural India which is the supplier of inputs and raw- materials for retail industry.

**2. Low Per Capita Income**

Around 30% of Indian Population in middle and rich income category. Rest 70% is poor, approximately 30% is classified as below poverty line i.e., they do not have income to buy a day's meal. People in rural India lack liquidity; they do not have adequate cash to enjoy luxuries.

Organised retail will have limited scope of growth when large percentage of population is kept outside the system Indian economy is

growing at 6% (GDP) at this level of GDP touch poverty cannot be removed. GDR should constantly touch 10% to ensure faster economic growth, that in turn increase income levels of people and help for better consumption habits.

**3. Complicated Tax Regime**

Tax regime is complicated. There is no unified and single system. Although VAT has come into force, still every state has its own system of taxation. Tax rate is high and there is complication in complying tax formalities. These are creating problems for promoters who want to promote a large retail outlet. It becomes further complicated for an MNC that wants to promote organised retail.

**4. FDI Policies**

India needs huge Investment in Retail Logistics like Warehouse, Transportation and Management. It is not only money but also necessary technology that can only come in the form of FDI (Foreign direct investment) Politicians and policy makers are not unanimous for entry of FDI in retail sector.

Some section say FDI in retail will kill small retailer and other says growth in retail infrastructure is possible through FDI only. There is confusion in the states regarding 100% FDI in retail, FDI in multi brand and single brand unless clear policies are laid down at the center and state, growth of organised retail is difficult.

**5. Education and Training**

Organised retail is described as semi hospitality Industry. A Customer must be well treated to ensure repeat sale. (A study says that labour productivity in Indian retail sector is only 6% of its counterpart in America). CRM that is customer relationship management can ensure systematic growth of organised retail.

The salesmen who come in personal touch with customer must have the art of managing and satisfying the customer. There

are no adequate number of institutions in India that educate and train people to handle customers at retail.

#### 6. Real Estate Prices

Real estate prices in India for land and building is exorbitant cities like Mumbai, Delhi and Bangalore have high land value. Since organised retail needs large area for amenities like parking, amusement and also to accommodate big building, major portion of investment is tied up in land and building. This may increase cost of operation. It may be difficult to operate the store economically and profitably.

#### 1.2.3 Trends of Retailing

#### Q9. Explain the trends of retailing.

*Ans.:*

#### 1. Shift from Unorganized to Organized Retailing

Retailing in India is thoroughly unorganized. There is no supply chain management perspective. The key factors that drive the growth of organized retailing in India are higher disposable incomes, rising urbanization, growing consumerism, nuclear family structure, growing number of educated and employed women population.

#### 2. Store Design

Irrespective of the format, the biggest challenge for organized retailing is to create an environment that pulls in people and makes them spend more time in shopping and also increases the amount of impulse shopping.

#### 3. Competition

Competition is increasing between different types of retailers. Discount stores, departmental stores, supermarkets, etc. all compete for the same customers. The small independent retailers survive by providing personal services to the customers.

#### 4. New Form of Retailing

Modern malls made their entry into India in the late 1990s, with the establishment of Crossroads in Mumbai and Ansal Plaza in Delhi. India's first true shopping mall, 'Crossroads'—complete with food courts, recreation facilities and large car parking space—was inaugurated as late as 1999 in Mumbai. Malls have given a new dimension to shopping experience.

#### 5. Technology

Technology today has become a competitive tool. It is the technology that helps the organized retailer to score over the unorganized players, giving both cost and service advantages. Technology has also made possible the growth of non-store retailing.

#### 6. Consumer Buying Behaviour

In India, there are no uniform trends with respect to consumer buying behaviour. There are visible differences in the shopping pattern of consumers across income segments. Organized retailing has definitely made headway in the upper class.

However, even in this segment, items such as milk, fruits, vegetables and a significant portion of 'through-the-month' purchases seem to be done at traditional outlets. Organized retail outlets seem to be associated with branded items/special purchases. Organized retailing does not seem to have made an impact on the lower class, except for 'curiosity' shopping.

#### 7. Entertainment

Modern retail formats provide a place for people to assemble, and a means of entertainment, by providing facilities such as food courts, mini theatre, children's play spaces and coffee shops. These facilities help the customers enjoy shopping.

### 1.3 TYPES OF RETAILING

#### Q10. What are the types of retailing?

*Ans :* (Dec.-19)

These are two types of retailing

#### I. Store Based Retailing

1. Form of ownership
2. Merchandise Offered

#### II. Non-store based retailing

#### I. Store Based Retailing

##### 1. Form of Ownership

##### **Independent (Mom-and-pop stores)**

**Stores** – There are generally family – owned businesses catering to small sections of society. They are small, individually run and handled retail outlets. The “shop” could be any type of business, such as an auto repair garage, bookstore or restaurant. These stores operate in the local locality. Therefore, there are in the near vicinity of a particular locality.

##### 2. Merchandise Offered

**(i) Convenience Stores** - Convenience store is a small store that stocks a range of every day items such as groceries, snack foods, candy, milk, eggs, toiletries, soft drinks, tobacco products and newspapers.

They are comparatively smaller stores located near residential areas. They are opened for long hours for the convenience of customers, and have a limited variety of stock and convenience products. Prices are slightly higher due to the convenience given to the customers. These shops are open seven days a week and offer a limited line of convenience products.

**(ii) Super Market** – The super market is a large – scale retail institution specializing in necessities and convenience goods. They have huge premises and generally

deal in food and non – food articles. Super markets are large, low cost, low margin, high volume, self service operations designed to meet the needs for food groceries and other non food items like health and beauty care products.

Thus, the super markets are also known as self – service stores since the customers are to do all the purchasing by themselves without the aid of salesmen or selling assistants.

#### **Advantages**

- Large turnover because of the large variety of merchandise which is offered to the customers.
- Low prices and high profits because of quick turnover.
- Situated at convenient places and within reach of buyers.
- The buyer is perfectly free as to what he should buy.

**(iii) Hypermarket** – Hypermarket is very large store that carries products found in a supermarket as well as merchandise commonly found in departmental stores. Hypermarket is a superstore combining a supermarket and a department store. The result is an expensive retail facility carrying a wide range of products under one roof, including full groceries lines and general merchandise. In theory, hypermarkets allow customers to satisfy all their routine shopping needs in one trip.

#### **Advantages**

- Customers can get everything at one place. Hence saving time, energy and money in searching.
- Cost reductions from bulk buying in hypermarket are transferred to customers.

- (iv) **Speciality Stores** – Specialty store is a small retail outlet that focuses on selling a particular product range and associated items. Most specialty store business operators will maintain considerable depth in the type of product that they specialize in selling, usually at premium prices, in addition to providing higher service quality and expert guidance to shoppers.

The specialty stores specialize in a particular category or sub – category of goods such as footwear, sarees, dress material and jewellery. These are smaller size compared to bigger formats and focus on quality and variety of the chose category.

- (v) **Category Killers** – A category killer is a product, service, brand, or company that has such a distinct sustainable competitive advantage that competing firms find it almost impossible to operate profitably in that industry (or in the same local area).

The existence of a category killer eliminates almost all market entities. Example, as one of the most famous search engine, Google does not have real competitors.

- (vi) **Departmental Stores** – A departmental store is a large retail trading organization. It has several departments, which are classified and organized accordingly. Departments are made as per different types of goods to be sold.

For example, individual departments are established for selling packed food goods, groceries, garments, stationery, cutlery, cosmetics, medicines, computers, sports, furniture etc., so that consumers can purchase all basic household requirements under one roof. It provides them maximum shopping convenience and therefore, also called as "Universal Providers" or "One Spot Shopping".

### Characteristics

- Departmental stores are large – scale retail establishments.
- They have a number of departments organized under one roof.
- Each department specializes in a particular kind of trade.
- They are located in the important central places of the big cities.
- A huge amount of capital is required to establish a departmental store.
- Their control and management are centralized.

- (vii) **Off Price Retailer** – Off – price retailers are retailers who provide high quality goods at cheap prices. They usually sell second – hand goods, off – the – season items etc., these retailers offer inconsistent assortment of brand name and fashion – oriented soft goods at low prices. They buy manufacturer irregulars, seconds, closeouts, canceled orders, overruns, goods returned by other retailers and end – of – season closeout merchandise.

- (viii) **Factory Outlet** – A factory outlet is a manufacturer – owned store selling that firm s stock directly to the public. The stock can either be first – quality merchandise or discontinued, irregulars, canceled orders at a very low price.

- (ix) **Catalogue Showrooms** – Catalogue retailers usually specialize in hard goods such as house ware, jewellery, and consumer electronics. There are retailers whose showrooms are adjacent to the warehouse. These showrooms have a low price, as they minimize the cost of displaying merchandise, focus on a narrow range of goods and are located in low cost areas.

**(x) Full Line Discount Stores** – A discount store is a retail store which sells products at prices lower than the typical market value. A “full – line discount store” or “mass merchandiser” may offer a wide assortment of goods with a focus on price rather than service, display, or wide choice. Discount store may specialize in specific merchandise such as jewelry, electronic equipment, or electrical appliances, relying on bulk purchase and efficient distribution to keep down cost.

**(xi) Warehouse Store** – It is a mass retailing of merchandise such as groceries, hardware, home furnishing, over the counter drugs, toiletries, etc., through a super store that offers very low prices and little or not customer service.

**(xii) Variety Store** – A variety store is a retail store that sells a wide range of inexpensive household goods. Variety stores often have product lines including food and drink, personal hygiene products, small home and garden tools, office supplies, decorations, electronics, garden plants, toys, pet supplies, remaindered books, recorded media and motor and bike consumables.

**(xiii) Membership Club** – This format is also known as cash and carry and is open to members only and not the general public. The current definition of a warehouse club is that it is a no frill, no – thrill, large – format store selling only to its members at wholesale rate.

## II. Non – Store based Retailing

**(i) Direct Selling** – Direct selling is the marketing & selling of products directly to consumers away from a fixed retail location. Peddling is the oldest form of direct selling. Modern direct selling includes sales made through the party plan, one-on-one demonstrations, and other personal contract arrangements as

well internet sales. Directing selling is a dynamic, vibrant, rapidly expanding channel of distribution for the marketing of products and services directly to consumers.

**(ii) Mail Order** – Mail order is the buying of goods or services by mail delivery. The buyer places an order for the desired products with the merchant through some remote method such as telephone call or web site. Then, the products are delivered to the customers. The goods are supplied on the system of P.O.D (i.e., payment on delivery) or V.P.P. (i.e., value payable through the post).

**(iii) Telemarketing** - Telemarketing is a form of direct marketing. Here, marketer goes direct to the customer using telecom / IT facilities.

Telemarketing is usually done through specific campaigns. Contract is established with hundreds of prospects in a campaign that normally runs through a few days. Several tele-callers are hired for the telecall operation.

### Advantages of Telemarketing

- Telemarketing facilitates personalized contact though not fact-to-face contact with prospective customers.
- Compared to mass marketing programmes, it gives the marker a better change to influence the prospects.
- It enhances marketing productivity by providing a screening and selection facility through preparatory conversations with prospects.
- Telemarketing is less expensive compared to most other forms of selling.
- It can be used in respect of different types of products. It is suitable for both industrial goods and consumer durables.

**(iv) The Call Centre** – The call centre is the real operation theatre in telemarketing. The call centre usually has

a manager in overall charge, a few supervisors and the required number of tele-callers. The tele-caller opens the call by greeting the prospect appropriately. Then she politely seeks the customer's permission to have brief conversation. She generates adequate interest in the product on the part of the consumer and tries to clinch an order.

- (v) **Automated Vending** – A vending machine is a machine that dispenses product when a customer deposits a sufficient amount of money into a money slot. The money is accepted by a current validator. It is a machine that provides various snacks, drinks and other products to customers. The idea of having vending machine is to vend product without a cashier.
- (vi) **World Wide Web** – Internet marketing, or online marketing, refers to advertising and marketing efforts that use the Web and e-mail to drive direct sales via electronic commerce, in addition to sales leads from web sites or emails.

#### 1.4 CHARACTERISTICS OF RETAILING

**Q11. Explain the characteristics of retailing.**

*Ans :* (Dec.-19)

##### 1. Direct Interaction with Customers

Retail businesses have a direct interaction with end-users of goods or services in the value chain. They act as intermediaries between end-users and suppliers such as wholesalers or manufacturers. Therefore, they are in a position to effectively communicate the response and changing preferences of the consumers to the suppliers or sales persons of the company.

##### 2. Lower Average Amount of Sales Transaction

The average amount of sales transaction at retail point is much less in comparison to the other partners in the value chain. Many consumers

buy products in small quantities for household consumption. Due to lower disposable incomes, some consumer segments in India even buy grocery items on a daily basis rather than a weekly or a monthly basis. Inventory management becomes a challenge for retailers as a result of the many minor transactions with a large number of customers.

##### 3. Point-of-purchase Display and Promotions

A significant chunk of retail sales comes from unplanned or impulse purchases. Studies have shown that shoppers often do not carry a fixed shopping list and pick up merchandise based on impulsive or situational appeal. Many do not look at ads before shopping. Since a lot of retail products are low involvement in nature, impulse purchases of the shopper is a vital area that every retailer must tap into.

##### 4. Larger Number of Retail Business Units

Location of retail store plays an important role compared to other business units. Manufacturers decide the location on the basis of availability of factors of productions and market. The number of operating units in retail is the highest compared to other constituents of the value chain, primarily to meet the needs for geographic reach and customer accessibility.

##### 5. Small Average Sale

The average amount of a sales transaction for retailers is much less than for manufacturers. The average sales transaction per shopping trip is well under \$100 for department stores, specialty stores, and supermarkets. This low amount creates a need to tightly control the costs associated with each transaction (such as credit verification, sales personnel, and bagging); to maximise the number of customers drawn to the retailer, which may place more emphasis on ads and special promotions; and to increase impulse sales by more aggressive selling.

However, cost control can be tough. For example, inventory management is often expensive due to the many small transactions

to a large number of customers. A typical supermarket has several thousand customer transactions per week, which makes it harder to find the proper in-stock level and product selection. Thus, retailers are expanding their use of computerised inventory systems.

#### 6. Impulse Purchases

Final consumers make many unplanned or impulse purchases. Surveys show that a large percentage of consumers do not look at ads before shopping, do not prepare shopping lists (or deviate from the lists once in stores), and make fully unplanned purchases.

This behaviour indicates the value of in-store displays, attractive store layouts, and well-organised stores, catalogues, and websites. Candy, cosmetics, snack foods, magazines, and other items are sold as impulse goods when placed in visible, high-traffic areas in a store, catalogue, or website. Because so many purchases are unplanned, the retailer's ability to forecast, budget, order merchandise, and have sufficient personnel on the selling floor is more difficult.

#### 7. Popularity of Stores

Retail customers usually visit a store, even though mail, phone, and web sales have increased. Despite the inroads made by non-store retailers, most retail transactions are still conducted in stores - and will continue to be in the future. Many people like to shop in person; want to touch, smell, and/or try on products; like to browse for unplanned purchases; feel more comfortable taking a purchase home with them than waiting for a delivery; and desire privacy while at home.

This store-based shopping orientation has implications for retailers; they must work to attract shoppers to stores and consider such factors as store location, transportation, store hours, proximity of competitors, product selection, parking, and ads.

### 1.5 FUNCTIONS OF RETAILING

#### Q12. Explain various functions of retailing.

(OR)

**What are the functions of retailing?**

*Ans.:* (July-21, Dec.-20, July-19)

Retail trade performs many valuable functions for the trade and commerce as a whole. Some of them are as follows:

#### 1. Delivery of the goods to the end consumer

This makes shopping for all requirements quite hassle-free for the consumers. This also facilitates consumption and maximizes consumer satisfaction. Because the company cannot take responsibility of delivery to every single customer, it appoints retailers. One of the functions of retailing is immediate delivery.

#### 2. Essential part of the distribution chain

The retailer takes over the cumbersome task of distribution of goods manufactured to the target market, the manufacturer is relieved of this responsibility and can divert his resources to manufacturing activities.

#### 3. Finances the wholesaler

While booking his order of goods with the wholesaler, the retailer pays some percentage or the whole of the order price in advance. This helps the wholesaler to carry on with his operations seamlessly. In some industries, it is the retailer who pays cash to maintain stock and in others the wholesaler has to carry the stock as paid capital. Nonetheless, financing is one of the major functions of retailing. A retailer who does not contribute to financing will bring down the effectiveness of the supply chain.

#### 4. Stores the goods according to market requirement

The retailer invests his working capital in building a gamut of inventory reflecting market

requirements. He also sells the requisite quantity, however small or big, to the final consumers satisfying their needs. The retailers know the complete demand and supply potential due to their years of experience. Hence it is one of the functions of retailing to balance the demand and supply as per external market conditions.

**5. Lends a hand in manufacturer's marketing initiative**

Retailer plans and executes many advertising and promotion activities at the point of purchase i.e. right in his store. This leads to gain in popularity of and favourable market conditions for the product of the manufacturer.

**6. Assumes storage and credit risks**

When the retailer orders and stores a large quantity of goods from the manufacturer, he makes sufficient provisions to store it safely for some days. This involves costs. Also, there is also a risk of loss of these goods on account of destruction, theft, spoilage etc. The retailer assumes these risks while storing goods.

**7. Extends credit facilities to the consumers and assumes credit risk**

The retailer does so to encourage shopping. This adds to the vigor of commercial activities in the economy. But there is also a risk that the customers won't pay for the goods bought or may return damaged goods to the retailer. This inherent risk in trade is assumed by the retailer.

**8. Offers wide variety of customers and enticing price range in a product line**

In order to attract more customers, a retailer offers a wide range of merchandise at attractive prices. This results in higher consumer satisfaction and higher standards of living in any economy.

**9. Provides convenience in shopping**

Retailers try to set up their shops nearby housing areas or near parks, schools – the

areas where the customer finds it very convenient to shop. This enhances the consumer welfare.

**10. Offers after sale services, differentiated packaging, giving more information about the use of the product**

All these activities add value to the retail transaction and cater to various requirements of the consumers suitably.

**11. Hears the voice of the market**

The retailer measures the pulse of the market by listening to the consumer feedback, expectations, complaints, and by observing a shift in the tastes and preferences of the consumers. This arms him with very critical market intelligence enabling the entire commercial fraternity to gear up for the changing economic scenario.

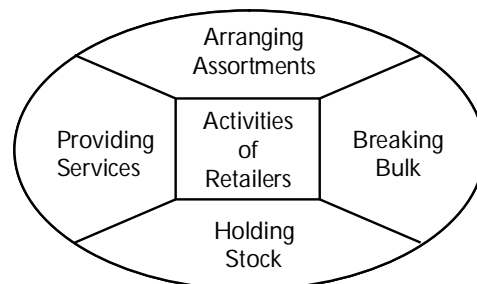
**1.6 ACTIVITIES OF RETAILING**

**Q13. What are the activities of retailing?**

*Ans :*

(Dec.-20, July-19)

Retailers undertake various business activities and perform functions that add value to the offerings they make to their target segments. Retailers provide convenient location, stock, and appropriate mix of merchandise in suitable packages in accordance with the needs of customers. The four major activities, as shown in figure, carried out by retailers are :



**Fig. : Activities of Retailers**

1. Arranging an assortment of offerings
2. Breaking Bulk
3. Holding stock
4. Extending services



### 1. Arranging Assortment

An assortment is a retailer's selection of merchandise. It includes both the depth and breadth of products carried. Retailers have to select the combination of assortments from various categories. The assortments must include substitutable items of multiple brands, SKUs, and price points.

They should be distinguished on account of physical dimensions and attributes, e.g., colour or flavour. The small retailer takes assortment decision on the basis of his experience; on the other hand retailers from organized retailing depend on a detailed study of past trends and future projections.

Retailers need to consider certain factors while devising assortment plans for their stores: profitability associated with particular merchandise mix, store image, layout, and the level of compatibility between the existing merchandise.

For example, Food World, a leading food supermarket positioned as a one-stop shopping centre, deals in multiple product categories along with all possible variants of brands, stock keeping units, and physical attributes in order to meet the expectations of their consumers and survive in the business. Whereas, Subhiksha, a grocery chain in south India has impressive assortments of only the fast moving brands and SKUs rather than all available variants in the market. Their assortment plan is governed by location, size, and store image (value for money) of their stores.

### 2. Breaking Bulk

Breaking bulk means physical repackaging of the products by retailers in small unit sizes according to customers' convenience and stocking requirements. Normally, retailers receive large quantities of sacks and cases of merchandise from suppliers to reduce their transportation costs. In order to meet their customers' requirements retailers have to

break or arrange the bulk into convenient units. This entire function of the retailers adds value to the offerings not only for the end customers but also for the suppliers in the value chain. Even in the earlier days of generic and commodity-based trading most of the retailers used to perform this important function in the value chain. This function receives negligible attention from the retailers now due to the introduction of new product categories, such as FMCG and ready-to-wear apparel.

### 3. Holding Stock

To ensure the regular availability of their offerings, retailers maintain appropriate levels of inventory. Consumers normally depend on the retailers directly to replenish their stocks at home. Therefore, retailers, on periodic basis, maintain the required levels of stock to meet the regular or seasonal fluctuations in the demand. Retailers need to maintain equilibrium between the range or variety carried and the sales which it gives rise to.

Retailers have to face the negative consequences of holding unwanted levels of stock - for instance, too little stock will hamper the sales volume, whereas, too much stock will increase the retailer's cost of operation. Generally, in small towns of India most retailers have arrangements with the nearby warehouses to stock the goods. Some are so small that they have to stock only on the shop floor. Retailers in the organized sector, to a certain extent, are using effective software packages for maintaining adequate levels of inventory. At the same time, retailers avail of just-in-time deliveries with the help of efficient consumer response systems, which reduces the burden of maintaining high levels of stocks.

### 4. Extending Services

Retailing provides multiple services to immediate customers and other members of the value chain. The set of services extended by particular retailers may be part of their core product offerings or it may be 'add on' to their

product or service. Retailers offer credit, home delivery, after-sales services, and information regarding new products to their customers, thereby making the shopping experience convenient and enjoyable.

At the same time, they provide stocking place, reach to the ultimate customers, and information about the concerned target segment to the suppliers. For example, Time Zone, the first organized retail chain of wrist watches in India, started by leading watch manufacturers Titan, set up in all its stores, service centres with proper equipment and trained manpower. This has not only diluted the relevance of service providers in the unorganized sector but has also enhanced the confidence of the customers in the retail services provided by the particular retail chain, as after-sales service is considered to be an integral ingredient of the watch purchase.

### 1.7 EMERGENCE AND GROWTH OF RETAILING IN INDIA

**Q14. Explain the growth of retailing in India.**

**(OR)**

**Discuss the Emergence and growth of Retailing in India.**

**Ans :** (Dec.-18, Imp.)

#### **Emergence**

The emergence of economic growth in India, consumer buying in retail sector is being projected as a key opportunity area. As a consequence, Indian corporate houses are refocusing its strategic perspective in retail marketing with the idea to use resources optimally in order to create core competence and gain competitive advantage. Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more. Organized retailing is showing signs of enormous creativity. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. As a matter of fact retailing in India is

gradually edge its way towards becoming the next boom industry. Retailing goes back to centuries; it started as a very primitive business but today has grown tremendously. First people were doing businesses with their neighbours. Goods were exchanged between them. Gradually people began to collect themselves to a given neighbourhood, which provides a geographical place to do the exchange. This not only increases the exposure of a given good but also helps a lot towards the development of a more formalized system. Gradually, a few more start to get together to a place that in turn creates a need for a common place. Later this common place was called a fair. With the passing of time the number of people doing businesses in a given fair increased, issues like security, transportation becomes a matter of concern. This semi-formalized system then gave birth to small-scale groceries, where people start to provide more combinations in their own neighbourhoods.

#### **Growth of Retailing in India**

➤ Retail industry in India is undoubtedly one of the fastest growing retail industries in the world. It is the largest among all industries accounting to 10 per cent of the country GDP and employs around 8 per cent of the workforce. India has seen a drastic shopping revolution in terms of format and consumer buying behaviour. From shopping centers to multi-storied malls to huge complexes offering shopping, entertainment and food all under one roof and it is because of this trend that the retail industry is witnessing a revolution as many new format markets like hypermarkets, supermarkets, departmental stores have made their way in the market.

➤ India's retail sector is witnessing accelerated growth, with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities. India has also been world's top sourcing destination in 2016-17 and the share in this category is 55 per cent. In India, a major chunk of the middle class and also the untapped market of retail is an attractive force for all the retail giants from

across the globe. Our working population with a median age of 24 years, along with emerging opportunities in the retail sector is one of the major factors of the growth in the retail industry of India. As many new businessmen are entering the industry, there is expected to be a growth in the retail sector.

- India is still largely an unorganized retail market where maximum retailers operate in less than 500 sq. ft. of space. The total retail industry is estimated at 9 lakh crore of which the organized sector accounts for a mere 9 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer-ways organized retailer. Today, the organized players have ventured into each and every retail category.
- India's retail sector is witnessing accelerated growth, with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities. The purchasing power of Indian consumer is growing in categories like apparels, cosmetics, shoes, watches, beverages, food and even jewelry.
- Due to the large scope of business and high growth potential, India is attracting investors across the globe. In FDI Confidence Index, India ranks 8th (after U.S., Germany, China, UK, Canada, Japan and France).
- There has been an increase in purchasing power of the consumer due to easy availability of credit which has given a push to higher value items and encouraged repeated purchases. There has been a clear shift in consumer mindset in buying. They are more educated and well informed. They have become more experimenting and are willing to try and buy products which they haven't been used as yet. The expansion of middle class has led to higher purchases of luxury products and brand consciousness. Significant growth in discretionary income and changing lifestyles are among the major growth drivers of Indian retail industry.

- With GST taking its shape, it has helped the retailers simplify its tax structure. This will lead to better supply chain structure, better cash flows, pricing and profitability.
- Rural markets show high growth potential if tapped with the right set of products and pricing. With increasing investments in infrastructure, connectivity to such towns is now becoming easier. This helps the retailer to increase reach in such high potential markets.
- The private label space in the organized Indian retail industry has begun experiencing an increased level of activity. The share of private label strategy in the US and the UK markets is 19 per cent and 39 per cent, respectively, while its share in India is just 6 percent. Thus this gives a tremendous opportunity for the homegrown label to expand its base.
- India's price competitiveness attracts large retail players to use it as a sourcing base. Many international retailers are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices.
- Although retail industry in India is on a growing track not everyone has tasted success. Due to various diversities in the state policies and local influences, it becomes a larger hindrance for the retail to expand rapidly.
- The high cost of real estate, deep discounting from e-tailers, non-availability of skilled labor in rural market are a few challenges that may hinder the growth of retail industry. Innovative concepts and model shall survive the test of time and investment.
- Indian retail industry is no doubt one of the largest and fastest growing industries. Like most developed countries, India's growth also relies on growth of its retail industry. India is becoming a dynamic market with many international brands entering India to capitalize on the growing consumption pattern

shown by the country. With right reforms and government initiatives, India retail industry is surely inching its way towards becoming the next boom industry. The future of the retail industry looks promising, as more and more Government policies have come into play, making it favourable to do business.

### 1.8 FDI IN INDIAN RETAILING

**Q15. Write about the impact of FDI on retail industry.**

*Ans. :* (Dec.-18, Imp.)

Foreign direct investment (FDI) in multi-brand retailing is prohibited in India. The FDI in single-brand retailing was, however, permitted in 2006, to the extent of 51 per cent. Since then, a total of 94 proposals have been received till May 2010. Of this, 57 proposals were approved. An FDI inflow of \$194.69 million was received between April 2006 and March 2010, comprising 0.21 per cent of the total FDI inflows during the period, under the category of single-brand retailing.

The proposals received and approved related to retail trading of sportswear, luxury goods, apparel, fashion clothing, jewellery, hand bags, life-style products, etc., covering high-end items. Single-brand retail outlets with FDI generally pertain to high-end products and cater to the needs of the brand conscious segment of the population, mainly attracting a brand loyal clientele, which often has a pre-set positive disposition towards a specific brand. This segment of customers is distinctly different from one that is catered to by the small retailers/kirana shops.

FDI in cash and carry wholesale trading was first permitted in 1997, to the extent of 100 per cent, under the government approval route. It was brought under the automatic route in 2006. Between April 2000 and March 2010, FDI inflows of \$1,779 billion were received in the sector. This comprised 1.54 per cent of the total FDI inflows received during the period. It is felt that this would lead to the following effects in the long run.

- Labour displacing effects of FDI-driven modern retailing
- Job losses due to predatory pricing strategies of large retailers
- Disintegration of established supply chains by the establishment of monopoly by global retail chains, leading to their control of both ends of the supply chain
- Inability of retail to boost GDP by itself, being only an intermediate value-added process
- Disruption of the current balance of the economy by rendering millions of small retailers jobless

FDI is permitted in the retail sector in Brazil, Argentina, Singapore, Indonesia, China, and Thailand without limits on equity participation, whereas Malaysia has equity caps on FDI in the retail sector.

#### Experience of FDI in Retail Trade in China

Foreign direct investment in retailing was permitted in China for the first time in 1992. Foreign retailers were initially permitted to trade only in six provinces and special economic zones (SEZs). Foreign ownership was initially restricted to 49 per cent. Foreign ownership restrictions have progressively been lifted and following China's accession to WTO (effective December 2004), there are no equity restrictions. Retail trade in China has been growing since 1992. Employment in retail and wholesale trade increased from about 4 per cent of the total labour force in 1992 to about 7 per cent in 2001. Between 1996 and 2001, the number of traditional retailers also increased by around 30 per cent.

In 2006, the total retail sale in China amounted to \$785 billion, of which the share of organized retail amounted to 20 per cent. Some of the changes that have occurred in China, following the liberalization of its retail sector, include the opening of over 600 hypermarkets between 1996 and 2001, the number of small outlets (equivalent to *kiranas*) increasing from 1.9 million to over 2.5 million, and employment in the retail and wholesale sectors increasing from 28 million people to 54 million people in 1992-2001.

### Experience of Thailand in Opening Retail Sector to FDI

Thailand is frequently referred to as a country in which FDI has had an adverse effect on the local retailers. It permits 100 per cent foreign equity, with no limit on the number of outlets. For the retail business, it has a capital requirement of TBH100 million, and TBH20 million for each additional outlet, while it has a capital requirement of TBH100 million for each wholesale outlet. With the start of the Asian crisis in 1997, the entry ban on foreign players was removed. Within a short span of time, the foreign players expanded their operations significantly and marginalized the local retailers who were already suffering from a necessary trend of economy. Many local players had to close down their business.

The entry of foreign players in a recessionary economy adversely impacted all segments—wholesalers, manufacturers, and domestic retailers in the short run. However, it also had certain positive effects. It led to the development of organized retailing, and Thailand has now become an important shopping destination. It encouraged the growth of the agro-food processing industry and enhanced the exports of Thai-made goods through the networks of foreign retailers.

### Impact of FDI in Retailing

In the simplest terms, Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Needless to say, this includes a lot of mergers and acquisitions.

In India, Foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA), driven by then finance minister Manmohan Singh. As Singh subsequently became the prime minister, this became one of his top political agenda. On September 2012, the government announced its new FDI policy in retail, allowing 100% FDI in single brand retail and 51% in multi brand retail. Starting from a baseline of less than \$1 billion in

1990, a 2013 UNCTAD survey ranked India 16th among the top 20 global economies receiving the most FDI, witnessing a 17 per cent growth to USD 28 billion (despite economic turmoil).

Apart from retail, India allows FDI in pharma (100%), telecom (100%), and insurance (49%) amongst others. Among countries, Mauritius topped the chart with \$3.41 billion FDI in India during April–November 2013, followed by Singapore (\$3.05 billion), UK (\$3.12 billion) and the Netherlands (\$1.5 billion).

### Q16. Explain the Advantages and Disadvantages of FDI in Retail in India.

(OR)

Discuss the Pro's and Con's of FDI in retailing.

Ans.:

(July-21)

#### Advantages

##### 1. Growth in Economy

Due to foreign companies entering into retail sector, new infrastructure will be built thereby bolstering the jaggig real estate sector. In turn, banking sector will also grow as the funds needed to build infrastructure will be provided by banks.

##### 2. Job Opportunities

It has been estimated according to government, that approximately ten million jobs will be created mostly in retail and real estate sectors.

##### 3. Benefits to Farmers

In the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence the farmers and manufacturers lose their actual share of profit margin, as the lion's share is eaten up by the middlemen.

This issue can be resolved by FD1, as farmers might get contract farming, where they will be able to supply an organised retailer

based upon demand and will get paid handsomely for that and they need not run in search of buyers.

**4. Benefits to Consumers**

Consumers will get variety of good quality products at low prices compared to market rates and will be able to choose from various international brands at one place.

**5. Lack of Infrastructure**

This has been one of the common issues in the retailing chain in India for years, which has led to the process of an incompetent market mechanism. To cite an example, inspite of India being one of the largest producers of fruits and vegetables, lack of proper cold storage facility significantly affects the selling of these perishable items and also in huge losses. Allowing FDI might help India have better logistics and storage technologies resulting in avoiding wastage. Due to FDI foreign companies will invest around \$ 100 million in India. Thereby, infrastructure facilities, refrigeration technology, transportation sector will get a boost.

**6. Cheaper Production Facilities**

FDI will assure operations in production cycle and distribution. Due to economies of operation, production facilities will be available at a cheaper rate and thus resulting in availability of variety products to the ultimate consumers at a reasonable and cheaper price.

**7. Availability of New Technology**

FDI allows transfer of skills and technology from abroad and develops the infrastructure of the domestic country. Greater managerial talent will flow in from other countries. Domestic consumer will get the benefit of getting great variety and quality products at all price points.

**8. Long Term Cash Liquidity**

FDI will render necessary capital for establishing organised retail chain stores. It is

a long term investment because the physical capital in the domestic company is not easily liquidated.

**9. Conducive for the Country's Economic Growth**

FDI will create a competition among the global investors, which will ultimately guarantee better and lower prices, thereby benefiting people in all sections of the society. The market growth and expansion will increase. It will step-up retail employment. It will ensure better managerial techniques and success. Higher wages will be paid by the international companies. Urban consumers will be exposed to international lifestyles.

**10. FDI Opens up a new avenue for Franchising**

Restrictions on FDI are regarded as trade barriers as they traverse direct market access to foreign firms. Retail giants who are very keen in looking for entry into foreign markets look for other available alternatives. These restrictions on the global retailers regarding the inflow of FDI, leads them towards getting the market entry through franchises. Thus, countries which offer promising market potentialities for retail growth offer substantial growth in the franchising sector also.

**11. According to the Indian**

Government's condition, foreign companies have to source a minimum of 30% of their goods from Indian micro and small industries. This will encourage the domestic manufacturing by creating a big effect for employment and technology upgradation and income generation.

**12. Countries like China, Indonesia and Thailand have 100% FDI in retail. Reports show that these countries have experienced high growth in agro processing industry, refrigeration technology and infrastructure.**

**13. Foreign countries will also create a supply chain management in the Indian market. This will result in avoidance of food wastage and perishables.**

**Disadvantages****1. Impact on the organised players (eq. Kirana shops)**

The overall size of retail market in India at present is estimated at ₹ 5,88,000 crore of which, the unorganised portion of the market is worth ₹ 5,83,000 crore and the share of organised portion of the market is ₹ 5000 crores. The unorganised market provides the second largest employment opportunities to 3.95 million people (first being the agricultural sector). It is argued that opening the retail sector will have an impact on sales in the unorganised sector. As a result of this, employment provided by the unorganised sector will be affected. It is reasoned that by reducing the number of intermediaries, organised retailing will lead to some job displacement.

**2. Limited Employment Generation**

It is said that FDI might provide employment opportunities, but it is argued that it cannot provide employment opportunities to semi-illiterate people. This argument gains more importance because in India, large number of semi-illiterate people are present.

**3. Fear of Lowering of Prices**

There is a fear that allowing FDI in retail would result in lowering of prices, as FDI will bring in good technology, supply chain etc. If prices are lowered, then it will lower the margin of unorganised players also. As a result of this, the unorganised market will be affected. This in turn will have an impact on the employment opportunities provided by the unorganised market.

4. FDI in retail will drain out the country's share of revenue to foreign countries, which may cause negative impact on India's economy.
5. Fears that domestic organised retail sector might not be competitive enough to tackle international players might not only resulting in loss of market share for them but in closure of their units.
6. There is a possibility of small business owners and workers from other functional areas, as lot of people are involved in unorganised retail business, may lose their jobs.
7. Small retailers and other 'Kirana Stores' may close down.
8. Supermarkets will establish their monopoly in the Indian market. Due to supermarkets fine tuning and higher accessibility they will be able to buy goods at lower prices and therefore will be able to sell at lower prices to consumers. This will result in closing of many small retailers.
9. Though Government has stipulated that 30% procurement should be from Indian sources, this may get diluted over the years. The remaining 70% procurement from cheaper countries will make the people run towards that stuff and the 30% supply from Indian small industries will have their own death, unable to compete with low price Chinese goods.

**Q17. Comment on retail industry in India.**

*Ans :*

**(Dec.-20)**

In India, the retail sector is fragmented and existed in the form of small ' independent and owner-managed shops. It provides the second largest employment opportunities to both skilled and unskilled labours. C.B. Richard Ellis a real estate advisor found that by establishing about 12 million retail outlets throughout the country, it has become the fifth largest retail business-globally. Due to the gradual increase in the disposable income of the middle-class consumers, India has witnessed a boom in the retail sector. This growth could also be due to the entry of global players in the market. Such player establish their foothold by the development of new and attractive retail formats. Some of them includes malls, supermarkets discount and department stores.

In 2006-2007, food sales contributes to about 60% of the total retail business worth approximately ? 8068 billion.

Year Indian Retail Sector	2003-04	2004-05	2005-06	2006-07
Indian retail industry food and grocery	7028	7064	7418	8680
Beverages	212	309	373	518
Clothing & Footwear	777	993	1036	1356

Year Indian Retail Sector	2003-04	2004-05	2005-06	2006-07
Furniture and furnishing	512	656	746	986
Non-institutional healthcare	950	972	1022	1159
Personal care	371	433	465	617
Jewellery and watches	530	610	655	863
<b>Total</b>	<b>10,592</b>	<b>11,037</b>	<b>11,715</b>	<b>14,179</b>

### Indian Retail Forecasts

Since 2006, Indian market is expected to be the most attractive market for retailers. (A.T. Kearney Annual Global Retail Development Index). Indian retail market is expected to grow from US \$ 330 billion to US \$ 637 billion by the end of 2015. This growth can also be seen in case of organised form of retail which has been increased from 4% to 22% in 2010.

### Q18. Explain in detail the opportunities in retail industry in India.

Ans.:

(Dec.-19)

#### 1. Sales and related jobs

Sales are the main aspect of retail industry. It is an important part of store operations. The important duty of the sales staff is to sell the products to the customers.

Other than sales, the related job involves, sales associate, cashier for receiving payments by cash, check, debit card, or credit card and operating cash registers etc.

The retail staff also discharges duties like preparing displays, making deposits at cash office, taking inventory etc. depending upon their working hours. The retail staff should be well equipped with excellent communication skill. In a very short span of time retail revolution has taken place.

#### 2. Store manager

A store manager is the person ultimately responsible for the day- to-day operations or management of a retail store.

All employees working in the store report to the store manager. Store manager is responsible for managing human resource, hiring team, indulging training and development programmes, managing profit and loss of the store, banking, and handling customer complaints.

#### 3. Visual merchandiser

Visual merchandising is the activity of promoting the sale of goods. Visual merchandising is an art intended to increase sales. It is a tool to achieve sales target. It is the art of displaying merchandise in such a manner that appeals to the eyes of the customer.



Visual merchandiser is responsible for merchandising. Creativity is essential to be a good visual merchandiser. Visual merchandising includes window displays, signs, interior displays etc. A combination of colour and theme plays an important role in visual merchandising.

#### 4. **Regional sales manager**

A regional sales manager reports to national sales manager. A regional sales manager requires excellent interpersonal and communication skill. A Retail Sales Manager is responsible for the day-to-day operations of a retail store.

They also must have computer skills and be patient with both employees and customers. Retail Sales Managers must be able to motivate and organize their employees.

A retail sales manager must have obtained a degree in marketing, business or communication. Regional managers are responsible for a group of retail stores. They visit stores to observe performance and to help solve problems. Regional managers report store performance to company headquarters and make important decisions concerning employees.

#### 5. **Finance and accounting**

A retail store requires well run financial department. A financial manager is responsible for keeping the records of accounts of income, paying expenses, maintaining financial records, cash flow control, banking etc. The financial manager must be efficient enough to handle the risk of debts.

#### 6. **Human resources**

Human resource is one of the most important aspects in retail industry. This aspect focus on recruiting right people for a particular job, because the success of retail depends upon right sales force.

The HR function includes recruitment, selection, training and development programmes, compensation and benefits etc. proper knowledge is require on the part of HR manager to understand qualification and qualities to hire efficient staff. HR function is in dealing with staff grievances and any disciplinary matters.

#### 7. **Logistic**

The logistics process consists of the process of integration of several aspects such as material handling, warehousing, information, transportation, packaging and inventory.

## Short Question and Answers

### 1. Define retailing.

*Ans :*

#### Definitions

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.

- (i) **According to Cundiff and Still**, "Retailing consists of all those activities involved in selling directly to ultimate consumers".
- (ii) **According to Mc. Carthy**, "Retailing is selling to final consumer products to households".

Retailing is useful for the satisfaction of human wants. There is a close relationship between retailer and his customers. The retailer provides various facilities and services to the customers.

Retailing is a dynamic industry which has undergone significant changes over the last few years. The emergence of cultural changes and technological advancement has far reaching impact behind the changing pattern of retail industry.

### 2. Scope of retailing.

*Ans :*

#### 1. Store Management

Retailers acknowledge the importance of store management for the success of business. It has two-way bearing on retail business - it not only attracts business by ensuring convenience to customers but also places the merchandise in accordance with the salespersons' work allocation. The key objectives of retail store management is to obtain a high return on investment by increasing the productivity of retail space, which requires effective utilisation of space

for merchandise display and customer movement, and to ensure a compatible, exciting and rational interface between the customer, merchandise and sales people.

#### 2. Supply Chain Management

Supply Chain Management is the systematic, strategic co-ordination of the traditional business functions and the tactics across these business functions within a particular company and across business within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole. It is a systems approach to managing the entire flow of information, materials, and services from raw materials suppliers through factories and warehouses to the end customer.

#### 3. Vendor Management

It is the management and control, by an entity, of those third parties that supply goods and/ or services to that entity. Product specification and product economy have made it incumbent on industries of all types to procure semi-finished and/or finished materials and components and to buy from each other.

This involvement has made the management of quality and reliability a far more complicated affair. As quality has to be built into the product through all the stages of production operations and during assembly, it has, therefore, become necessary to exercise rigid control on purchased materials and bought- out components to ensure quality and reliability. To achieve this and other objectives and effective system of co-ordination between the supplier and the buyer has become necessary. This has to be established through a good vendor-vendee relationship plan.

**3. Customer Relationship Management (CRM)**

*Ans :*

Customer Relationship Management is a strategy adopted by business firms in recent years and includes the formulation of methodologies and tools that help businesses manage customer relationships in an organised way. CRM processes are extremely helpful in identifying and targeting the best customers of the business firm and generating quality sales leads, as well as in the planning and implementation of marketing campaigns with definite goals and objectives. The processes involved in CRM can help the firm maintain a customised relationship with the customers for creating higher-level customer satisfaction and offering the finest customer service.

**4. Write the role of retailers in creating customer satisfaction.**

*Ans :*

**1. Personalized Experience**

The retail can create customer satisfaction by personalizing the shopping experience for the customer. Examples of creating personalized experience for the customer include sending birthday wished to the customer, keeping the products ready and packed etc.

**2. Competitive Pricing**

The retailer can create customer satisfaction by providing the products and services at best or competitive prices. For example, D-mart store provides its customers products at discount prices, offers, etc. Thus satisfying its customers.

**3. Address Customer by Name**

In case of repeat loyal customers, the retailer can address the customer by his name. Thus, creating a positive human relationship with the customer. Further after the customer had made the purchase, the retailer may see off the customer with a 'Thank You'.

**4. Available for Help**

The retailer can increase the customer satisfaction by being available to the customer as and when required. The retailer should be quick and ready to provide product or service information, classify customer doubts (if any) etc.

**5. Create Memorable Experience**

The retailer can create a good and positive atmosphere in the store in such away that the customer feels alive, energetic and happy after visiting the retail store. This would boost customer satisfaction and create a group of loyal customers for the retailer.

**5. Speciality Stores.**

*Ans :*

Specialty store is a small retail outlet that focuses on selling a particular product range and associated items. Most specialty store business operators will maintain considerable depth in the type of product that they specialize in selling, usually at premium prices, in addition to providing higher service quality and expert guidance to shoppers.

The specialty stores specialize in a particular category or sub – category of goods such as footwear, sarees, dress material and jewellery. These are smaller size compared to bigger formats and focus on quality and variety of the chose category.

#### 6. Advantages of Telemarketing

*Ans :*

- Telemarketing facilitates personalized contact though not fact-to-face contact with prospective customers.
- Compared to mass marketing programmes, it gives the marker a better change to influence the prospects.
- It enhances marketing productivity by providing a screening and selection facility through preparatory conver- sations with prospects.
- Telemarketing is less expensive compared to most other forms of selling.
- It can be used in respect of different types of products. It is suitable for both industrial goods and consumer durables.

#### The Call Centre

The call centre is the real operation theatre in telemarketing. The call centre usually has a manager in overall charge, a few supervisors and the required number of tele-callers. The tele-caller opens the call by greeting the prospect appropriately. Then she politely seeks the customer s permission to have brief conversation. She generates adequate interest in the product on the part of the consumer and tries to clinch an order.

#### 7. Write about the impact of FDI on retail industry.

*Ans :*

Foreign direct investment (FDI) in multi-brand retailing is prohibited in India. The FDI in single-brand retailing was, however, permitted in 2006, to the extent of 51 per cent. Since then, a total of 94 proposals have been received till May 2010. Of this, 57 proposals were approved. An FDI inflow of \$194.69 million was received between April 2006 and March 2010, comprising 0.21 per cent of the total FDI inflows during the period, under the category of single-brand retailing.

The proposals received and approved related to retail trading of sportswear, luxury goods, apparel, fashion clothing, jewellery, hand bags, life-style products, etc., covering high-end items. Single-brand retail outlets with FDI generally pertain to high-end products and cater to the needs of the brand conscious segment of the population, mainly attracting a brand loyal clientele, which often has a pre-set positive disposition towards a specific brand. This segment of customers is distinctly different from one that is catered to by the small retailers/kirana shops.

FDI in cash and carry wholesale trading was first permitted in 1997, to the extent of 100 per cent, under the government approval route. It was brought under the automatic route in 2006. Between April 2000 and March 2010, FDI inflows of \$1,779 billion were received in the sector. This comprised 1.54 per cent of the total FDI inflows received during the period. It is felt that this would lead to the following effects in the long run.

- Labour displacing effects of FDI-driven modern retailing
- Job losses due to predatory pricing strategies of large retailers
- Disintegration of established supply chains by the establishment of monopoly by global retail chains, leading to their control of both ends of the supply chain
- Inability of retail to boost GDP by itself, being only an intermediate value-added process
- Disruption of the current balance of the economy by rendering millions of small retailers jobless

FDI is permitted in the retail sector in Brazil, Argentina, Singapore, Indonesia, China, and Thailand without limits on equity participation, whereas Malaysia has equity caps on FDI in the retail sector.

### 8. Define Store Image

*Ans :*

- (i) **According to Kunkel and Berry (1968)**, Store image is totality of the experience and conceptualization that intensify consumers purchase decision and recommendation to others About a specific store.
- (ii) **According to Lindquist (1974)**, Store image is composited with tangible or functional factors and intangible or psycholo- gical factors that are professed by the con- sumers to be seen in the store
- (iii) **According to Kasulis and Lasch (1981)**, Store image is the combination of objective attributes such as location, size, store hours and subjective attributes including attracti- veness of store décor, friendliness of employees, that level of store service formed from the perception of consumers.
- (iv) **According to Dichter (1985)**, Store image is the overall image of any particular store that the customers' possess in their mind.
- (v) **According to Zimmer and Golden (1988)**, Store image is the overall expression by the retail. Customers regarding how they perceived the store.
- (vi) **According to Grewal et. al., (2004)**, Store image has built up as combined evaluation regarding the store and the brand that influenced customers' store choice.
- (vii) **According to Jinfeng and Zhilong (2009)**, Store image can be signified with different store attributed or characteristics, that focus on the marketing activities of a store for influencing customer perceptions of store choice.
- (viii) **According to Chang & Luan (2010)**, Store image is the combination of consumers' perceptions and previous experience to- wards the stores' different attributes

### 9. What is Organised Retailing?

*Ans :*

Organized retail is a sector which consists of the companies which are associated with production or sales of goods and services that operates as private limited organizations which are governed by companies act. The organized retail sector can be characterized as follows

1. The retail setups are owned by companies.
2. Few of the employees on the payroll of the organization with others are on contract.
3. The employees are governed under the act of minimum wages.

Organized retail is associated with customers walking into the stores for the showrooms and buying their necessary products. Huge quantities of goods are stocked up in the retail store and huge discounts which are gained by the company are passed down to the customers.

Many retailers like Walmart, IKEA, Costco, and Target have been an attraction for customers for a long time because of their discounted pricing structure. There has been an increasing retail store establishment in North American countries Canada with stores like Target and Nordstrom which have been establishing their bases from some time.

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**10. Reserve Auction.**

*Ans :*

This is an auction where the final bid for an item can be rejected by the seller if it is not high enough to satisfy them. They may set a particular fixed reserve, or they may alter the reserve over the course of the auction in response to the bids placed. Bidders are often unaware of the reserve price, it means an Auction in which the seller or seller's agent reserves the right to establish a stated minimum bid or the right to reject or accept any or all bids, or to withdraw the real or personal property at any time prior to the completion of the Auction by the Auctioneer. All Auctions are to be with reserve unless it is explicitly stated otherwise in the contract and in the terms and conditions of the Auction. If auction is deemed absolute, seller affirms that they have a bonafide intention to transfer ownership of the property to the highest bidder.

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**11. Customer Satisfaction.**

*Ans :*

**Definition**

Customer satisfaction indicates the fulfillment that customers derive from doing business with a firm. In other words, it's how happy the customers are with their transaction and overall experience with the company.

**Example**

Natalia is a marketing manager in a retail firm. Her firm has recently launched a new product and Natalia is asked to collect the information from 200 customer surveys and prepare a spreadsheet with the satisfaction metrics for the new product.

The main questions in the survey were:

1. Are your expectations met with this product?
2. How did the product perform?
3. Overall, how do you rate the product?

4. How do you rate your shopping experience?
5. How likely is that you recommend this product to a friend?
6. Are you satisfied with the way the company performs on this product?
7. Are service representatives knowledgeable?
8. Are service representatives professional?
9. Is the company responding in a timely manner?

Using a scale from 1 to 10, Natalia calculates the satisfaction score by averaging the customer responses. Then, she calculates the net promoter score using a scale from 1 to 10, and finally, the customer effort score, using a scale from 1 to 10.

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## Choose the Correct Answers

1. The last part of a supply chain which is engaged in selling product or a service is, [ a ]  
(a) Retailer (b) Supplier  
(c) wendor (d) Agent
2. Function of retailing include, [ d ]  
(a) Time factor (b) Communication  
(c) Size factor (d) All the above
3. Foods items and other groceries are made available to the customers at, [ a ]  
(a) Convenience stores (b) Super markets  
(c) Big bazar (d) Hyper markets
4. Theory of retailing which explains the retail evolution with an institutional life cycle concept is, [ d ]  
(a) Selective theory (b) Retail accordion theory  
(c) Natural selection theory (d) Wheel of retailing theory
5. Following constitutes the important activities of retailing. [ d ]  
(a) Sorting (b) Arranging assortment  
(c) Breaking bulk and holding stock (d) All the above
6. The giant retailers who dominates the single area of merchandise, [ c ]  
(a) Discount stores (b) Super market  
(c) Category killers (d) None of the above
7. \_\_\_\_\_ ensures a direct interaction with end users of goods or services in the value chain. [ b ]  
(a) Distributors (b) Retailing  
(c) Agents (d) None of the above
8. Physical repackaging of the products by retailers in small unit sizes is \_\_\_\_\_. [ a ]  
(a) Breaking bulk (b) Sorting  
(c) Holding stock (d) Extending services
9. Retailers are also classified based on, [ c ]  
(a) Channels of distribution (b) Transport  
(c) Number of outlets (d) All the above
10. Gross margin is, [ b ]  
(a) Cost of goods sold - Net sales (b) Net sales - Cost of goods sold  
(c) Net profit - Net sales (d) Net profit - Cost of gods sold



## *Fill in the Blanks*

1. \_\_\_\_\_ distribution is restricted to only a portion or percentage of available outlet in each geographical area.
2. Big Bazaar, Shoppers Stop, Westside, Globus are few examples of \_\_\_\_\_.
3. EDI stands for \_\_\_\_\_.
4. \_\_\_\_\_ and \_\_\_\_\_ are the classification of retailers based on the merchandise range.
5. The strategy used to attract the shoppers towards a specific store is called as \_\_\_\_\_.
6. \_\_\_\_\_ refers to the business of buying goods in large quantities from a manufacturers or wholesalers and then selling them to consumers.
7. Retail outlets convert the \_\_\_\_\_ into \_\_\_\_\_.
8. \_\_\_\_\_ is the number of merchandise categories offered by a retailer.
9. Each item of merchandise offered by a retailer is referred to as \_\_\_\_\_.
10. Through \_\_\_\_\_ a retailer sells and delivers merchandise and services to its customers.

### ANSWERS

1. Selective
2. Departmental stores
3. Electronic Data Interchange
4. Departmental stores
5. Traffic strategy
6. Retailing
7. Heterogeneous products into homogeneous products
8. Variety
9. Stock Keeping Unit (SKU)
10. Retail channel.

## UNIT II

### Retail Formats and Theories :

Traditional retail formats – cooperatives and Government and Modern Retail formats in India; Emergence of Malls in India; Franchising – Types of Franchising, Advantages and disadvantages of franchising; legal issues in franchising in India. Theories of Retail Development – Environmental theory, cyclical theory, conflict Theory and Concept of Life cycle in retail.

### 2.1 TRADITIONAL RETAIL FORMATS

#### 2.1.1 Cooperatives and Government

**Q1. Explain the traditional retail formats with suitable examples.**

*Ans :* (July-21, Imp.)

Traditional retail formats refer to those formats that have long been part of the retail landscape of India. They include formats like kirana and independent stores that are typical of the unorganized retail sector across product categories and also the most administratively organized form of Indian retailing-co-operatives and government-controlled retail institutions (like the public distribution system and cottage emporiums). In terms of professional management and efficiency of integration with the value chain, the traditional retail formats are better classified under the unorganized retail sector.

There are predominantly two types of traditional retail formats, namely :

- A) Kirana and independent stores.
  - B) Co-operative and government-owned stores
- A) Independent and kirana stores have emerged with the spread and density of population. Historically, they are traced to the generation of surplus in agriculture that needed to be sold to obtain other essential commodities by the producer. This was accompanied by the emergence of a trading class in India.
- B) Co-operative stores in India are the result of the co-operative movement that can be traced

to the pre-independence period. They emerged as a reaction to the feudal system and attempted to place the fruits of labour in the hands of the producer himself to make him self-reliant. The co-operative movement was strengthened after independence; yet it was largely successful in western India.

Government-owned and/or-operated stores emerged after independence because of their increased role in business and their responsibility towards the socio-economically weaker sections of the society, and for preservation of handicrafts, promotion of tourism, ensuring fair prices, and distribution of essential items.

**Q2. Discuss about kirana and independent stores.**

*Ans :*

Generally, the *kirana*, mom-and-pop, and family-owned retail stores represent the retail business in India. These are usually shops with a very small area, stocking a limited range of products, varying from region to region according to the needs of the clientele or the whims of the owners.

About 78% of these retail stores are small family-owned businesses utilizing only household labour. Even among the retail enterprises that employ hired workers, the bulk of them use less than three workers. According to ORG-MARG, a small retailer is defined as one with an average turnover between Rs 17,500 and Rs 52,500 per annum.

These are low-cost structures, mostly owner-operated, have negligible real estate and labour costs,

and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage enjoyed by the traditional retailing sector. The retailer to consumer ratio is very low with many such shops often located close to people's residence thus making location and convenience a major factor for their popularity. However, the retailer offers credit facilities depending on the size of his business and seeming credibility of his customer.

Branding is not the key decision criteria for a majority of customers at the traditional retail outlets, particularly in the small townships and rural India. Traditional retailers play a significant role in the purchase decision, influencing both the product and the brand perception.

Conventionally, retailers source the merchandise from wholesalers and sell it to end-users. Manufacturers distribute goods through carrying and forwarding agents to distributors and wholesalers. The merchandise price gets inflated to a great extent by the time it reaches from the manufacturer to the end-user. The new wave of competition has had a healthy effect on traditional retailers. Many are trying to introduce self-service formats, attractive atmospherics, services such as home delivery, and even telephone-based order delivery. Many experts have referred to this as the 'boom in retailing'. However, there are three aspects of boom in retailing in India :

- (a) The emergence of newer, specialized, and bigger retail formats in urban India with greater focus on 'experiential' aspects of shopping. This has been prompted by a more demanding consumer, higher disposable incomes, entry of foreign brands in the Indian market, and entry of Indian business houses in the retail sector.
- (b) Deeper and wider penetration of retail network in rural India prompted by greater recognition of the potential of rural markets especially in the FMCG and consumer durables sector.
- (c) Redesigning the retail mix by the traditional retailers as a sign of greater maturity of the sector and also the rub-off effect of the developments in the organized sector.

The Indian retail sector has traditionally been structured around three small retail entities - the grocer, the general store, and the chemist. The grocer stocks non-packaged, unbranded/generic commodities such as rice, flour, pulses, salt, etc. The grocery stores located in neighbourhood centres or central business districts also sell branded and packaged fast moving consumer goods (FMCGs).

The general store stocks only branded and packaged FMCGs. These are generally located prominently in the neighbourhood centres and residential areas. The chemist, apart from dispensing pharmaceutical products, sells branded FMCGs such as personal care products and health foods. Alongside the three retail outfits, exist a large segment of smaller, unorganized players-pan-beedi stores which stock products in sachets, batteries, confectionery, and soaps; bakeries and confectioners; fruit juice/tea stalls; ice-cream parlours; electrical, furniture, and hardware stores; and non-food boutiques. There are a large number of hawkers, carts, and stalls within the main markets or localities and street corners, and many door-to-door sellers such as vegetable vendors.

The small independent retailers in India play a crucial role in the entire value chain. Their importance has been well acknowledged among the marketers and the customers. This is primarily because of the increase in stock-keeping units (SKUs) over the past years. According to ORG-MARG's retail audit, in 1996, the number of packs more than doubled in the 57 core FMCG categories such as white toothpaste, detergent powder, and cold cream.

That apart, there have been 19 new FMCG categories (between 1990 and 1996) like branded atta, anti-ageing creams, and dishwashing pastes that have introduced 1378 brands and 2579 SKUs at the retail counter. This SKU proliferation has caused intense pressure on shelf space. Marketers, therefore, have been forced to seek width in distribution rather than depth. So, the small retailer is playing a significant role as a distribution channel for FMCGs in the existing and the new settlement areas in urban areas.

Supply chain integration does not quite matter in the case of a small retailer because of the small scale of his operations. Retailers normally prefer to deal directly with wholesalers with whom they are able to negotiate rates and payment terms.

Retail consolidation (consolidation of buying power) among supermarket/hypermarket/chain stores operators is unlikely to hurt the interest of small retailers simply because it is likely to affect manufacturers/suppliers directly, who do not want to compromise on the retail penetration against few large volumes to a few big retailers. Small retailers are patronized by customers on account of low prices and services they offer.

Small retailers provide a wide variety of facilities to their customers, such as telephone order, credit facilities, home delivery, customization on account of offerings and packaging, and specific products procured on order (in case of stock-outs). More importantly, they are available next door to offer personalized service. In this way, they are able to develop a strong relationship with his customers, who, over a period of time, become extremely loyal.

**Q3. What is the role of co-operative and government bodies in retail?**

*Ans :*

India has a large number of retail stores run by cooperative societies and government bodies across product categories. Such initiatives were taken for various socio-economic factors, primarily, to promote industries and generate employment opportunities in rural areas.

The examples of organized retailing format in India are the Super Bazaars and the Kendriya Bhandars along with the administered price public distribution system. These stores were among India's earliest endeavours into organized retailing with a user-friendly store format, a variety, and reasonable prices.

However, these were characterized by average customer service, bureaucratic timings, and poor upkeep. In a similar manner, cooperative movement in various industries such as dairy products also led to the emergence of organized retail chain in leading

cities of India, such as Mother Dairy outlets in Delhi and Parag in Lucknow. At the same time, government-established retail chains too provide effective marketing infrastructure to small-scale industries engaged in handicrafts and local goods such as KVIC stores in entire India, and state emporiums in the leading cities.

However, since the 1990s, there has been a reduction in government support for cooperatives. In 2002, there were about 35,000 outlets run by cooperatives.

Some of the popular retail institutions that are controlled and managed by the co-operative or government institutions are discussed below.

**1. Mother Dairy, Delhi, and Fruit and Vegetable Project, Delhi**

Mother Dairy, Delhi, and the Fruit and Vegetable Project, Delhi, set up by the National Dairy Development Board (NDDB) in 1974 and 1986, respectively, were merged to form Mother Dairy Fruit and Vegetable Limited (MD F&V) in April 2000.

The new company, a wholly owned subsidiary of NDDB, is involved in marketing and distribution of milk, milk products, and horticulture produce. The company's dairy plant handles more than 1.3 million liters of milk daily and undertakes its marketing operations through 636 own milk shops and more than 6,500 retail outlets in and around Delhi. Ice-cream market under the brand name 'Mother Dairy' has a 41% market share in Delhi.

The company markets horticulture produce in fresh, frozen, and processed form under the brand named 'SAFAL' through a chain of 263 own fruit and vegetable shops and more than 20,000 retail outlets in various parts of the country. Fresh produce from the producers is handled at the company's modern processing facility in Delhi with an annual capacity of 120,000 MT.

A state-of-the-art fruit processing plant, a 100% EOU, set up in 1996 at Mumbai,

supplies quality products in the international market. The company's unique distribution network of bulk vending booths, retail outlets, and mobile units gives it a significant competitive advantage.

## 2. **Safal: Fresh Fruit and Vegetable Outlets**

The fruit and vegetables unit of the National Dairy Development Board (NDDB) was set up in 1988 with the objective of ensuring a direct link between the farmers and the consumers. The aim is to ensure that the customer gets the highest quality produce. The processed products of the unit are marketed with the brand name 'Safal'. The Safal group acts as a link between the farmer and the consumer in the procurement process that benefits both.

The farmers get the most remunerative price and the consumers get the best produce at a reasonable price. A large and ultra-modern central distribution facility has been set up to handle fresh and frozen fruits and vegetables. Initial cleaning, grading, and sorting are done, followed by cooling, to ensure its freshness till the product reaches the consumers. Specially designed modern retail outlets, the first of their kind in India, have been set up at various localities in Delhi and Mumbai, to market good quality fruit and vegetables at reasonable prices directly to the consumers.

As many as 279 specially designed modern retail outlets have been set up in and around Delhi to market fresh and frozen fruits and vegetables directly to the consumers. Each shop caters to a large number of customers and has a capacity to sell 1,600 kilos of fruit and vegetables a day. The shops are equipped with electronic machines that automatically weigh the produce and print item-wise bills.

## 3. **Public Distribution System in New Delhi**

The public distribution system (PDS) ensures the distribution of essential items such as selected cereals, sugar, and kerosene at subsidized prices to holders of ration cards. The PDS also helps to modulate open-market prices for commodities that are distributed through the system.

The Department of Food and Civil Supplies, Govt. of Delhi, manages the PDS in Delhi for regulating supply and distribution of, and trade and commerce in, essential commodities with a view to maintaining or increasing supplies thereof, and securing their equitable distribution and availability at fair prices by enforcing the Essential Commodities Act, 1955, and various Control Orders made thereunder.

The main items distributed through the PDS are cereals, such as rice and wheat, and essential items, such as sugar (only for people below poverty line) and kerosene. According to the Department of Food and Civil Supplies, there were 3,165 PDS outlets in Delhi in March 2001. Of these, 2,818 outlets were in urban areas and 347 in rural areas. On an average, each Fair Price Shop handles 1,000 ration cards. The number of households in Delhi that have ration cards increased from 23.62 lakhs in 1990-91 to 36.89 lakhs in 2000-2001 (Table).

## 4. **Central Cottage Industries Emporium**

The Central Cottage Industries Emporium (CCIE) is a Government of India undertaking to promote sales of artisanal goods to tourists as well as local customers. There are six stores across the country, by the same name, all keeping up the tradition of displaying and selling crafts from various regions of India.

The government runs the Central Cottage Industries Emporium, which has branches in each major city. These are well-appointed, multi-storeyed complexes containing a selection of handicrafts

from every corner of the country. In order to provide attractive markets in urban centres and right prices to the artisans and craftsmen, the government launched the CCIE to provide them with an alternative retail channel.

India has, over the centuries, kept its arts and crafts alive—ivory, brass, silver, copper, gold, jewellery, silks and brocades, leather goods, carpets, excellent woodwork items, precious and semiprecious stones, blue pottery, and an unending list of other goods.

S.No.	Item	1998-99	1999-2000	2000-2001
1.	No. of Cards (in '000')	3353	3599	3689
2.	No. of Cereal Units (in '000')	30721	33090	33948
3.	No. of Sugar Units (in '000')	17793	19345	1589
4.	Fair Price Shop (in number) (i + ii)	3214	3228	3165
	(i) Urban	2811	2853	2818
	(ii) Rural	403	375	347
5.	No. of Licensed Shops of Kerosene Oil	2342	2372	2501

The central and state governments run various cottage and handicraft emporiums across the country. In Delhi, the Central Cottage Industries Emporium and the various state emporiums are located in Connaught Place. Cottage Emporium, as also many other such stores in the country, accept all major international credit cards. Each branch has an air freighting section where bulky purchases are delivered right at the customer's doorstep.

These emporiums retail a wide variety of product categories, which they procure from every part of India. They offer a rich variety of silk with special colours and weaves.

The heavy Kanjeevaram silks of the south, the soft and the richly brocaded ones of Benaras, the light silks from the east, the golden-hued 'muga' of Assam, 'tanchoi' from Surat, the magical tie-and-dye of Rajasthan and Gujarat, the 'ikat' or 'patola' of Orissa, and artifacts in bronze, brass, ivory, marble, or wood—statues, lamp shades, chairs, delicate filigree work on ivory and silver, marble inlaid with precious coloured stones, enamel work; 'kundan' or 'mina' jewellery of Rajasthan, silver from Orissa and pearls of Hyderabad—the entire range of rich handicraft products of India can be obtained from them. This is especially useful for the shopper in a hurry.

In New Delhi, an entire street - full of state government emporia - on the Baba Kharag Singh Marg provides the shoppers with virtual everything that is available in the country. They bring to the customer a wide selection of textiles, leather goods, art and artifacts, and the best of everything that a particular state offers. There are other emporia too like the Handloom House which sell equally good and genuine things.

**Q4. "Traditional retail formats are facing threat in many ways". Explain with examples.**

*Ans :*

(Dec.-18)

**1. Customer "experience" was historically a sales transaction on a date**

POS (Point of Sale) cash registers were designed for the primary purpose of keeping track of which things sold at what price today. POS was designed for sales transactions, not relationships. Today's omnichannel consumer experience involves many touch points inside and outside of the store. Retailers relying on traditional POS have few ways of tying customer experience together across channels and time.

**2. Consumers are the new POS, not the stores!**

Consumers today quite literally have become the POS! Consumers have moved way beyond the notion of omnichannel as shopping. They now decide, when and where to purchase, how to pay, and when/where/how to take delivery. The shopper's smartphone has literally become their point of sale. Traditional retailer systems were designed to transact in store and separately online, but not across multiple channels at different points in time when the consumer chooses to buy.

**3. Traditional retailers sell "things" with few ways to manage relationships**

The most important "sale" today is not the product in the basket, but the relationship with the consumer. Amazon can provide an entire history of "wish lists," purchases and shipment history. Few traditional retailers have the capacity to "follow you home from the store." The lack of consumer-centric CRM (Customer Relationship Management) is one of the single biggest omnichannel gaps and perhaps one of the biggest challenges for traditional retailers today.

**5. Retailers are trying to make up store volume by selling customer online**

To make up for declining store revenue, traditional bricks and mortar retailers have been encouraging their customers to go online in order to grow their own ecommerce sites. But, traditional retailer ecommerce sites have to compete with e-tailing specialists, especially Amazon. Selling online means being extremely price competitive, so retailer online margins are typically less than what is sold in store. Furthermore, consumers are now "addicted" to the highly personalized Amazon customer experience.

They now expect the same Amazonian end to end experience from retailer websites, including the amenities of free shipping, tracking and returns. Most traditional retailers

are struggling to develop infra-structure, systems and technology to compete online, and more importantly, on an omnichannel basis.

**6. Stores and ecommerce still operate in separate "silos" in many retailers**

Traditional retailers were built from the ground up to run stores. Nothing wrong with that ... stores can be a great place to shop. But, stores require different operating systems and infrastructure than online. Many traditional retailers are really struggling because store merchandising and marketing operate independently from online. Not only is that inefficient, it is highly unlikely that it will create the seamless shopping experience that consumers are expecting across channels.

**7. Associates are treated as an expense ... not as a strategic differentiator**

The number one thing that you cannot get online is a knowledgeable person to talk to, and offer personalized assistance. Even with all of the widgets and rich content on websites, consumers still report that they go to their favorite stores because the people make the difference. Yet, to cope with declining store traffic and revenue, store staff are often seen as a "labor expense" that can be cut to remain profitable. Training is also viewed as an "expense" to be cut. Clerks stocking shelves and cashiers at registers do not create a compelling reason to visit stores to buy the same thing that can be shipped free to your door, probably at a lower price.

## 2.2 MODERN RETAIL FORMATS IN INDIA

**Q5. Explain various Modern Retail formats in India.**

*Ans.:*

You would agree and also appreciate that modern retail formats and store based formats are one and the same. Each of these stores have an entity of its own to cater to. Let us, now, briefly discuss the following modern retail formats.

**1. Department Stores**

These are the oldest form of large store concept. It is a multi-level store format usually between 2-5 stories which are segmented into clearly defined areas according to product category.

**2. Variety Stores**

This format offers a large variety of goods under one roof, including both food and non-food items. A variety store differs from departmental store in product range, store environment and prices.

**3. Supermarkets / Hypermarkets**

The success of supermarkets is attributed to the advantage of offering self service, and therefore much faster method of shopping and saving time. In addition, the space and labour saving factors allow retailers to offer a wide choice of products at lower prices.

The major benefits of this format are:

- Allows the customer to get involved with concept)
- The ability to pursue the product offering,
- Try new product and impulsive purchase. the product touch and feel
- Supermarkets, superstores and hypermarkets can be considered in the same family of retail format.

**4. Convenience Store**

The criteria applied to this store format is:

- Self service
- 1000-3000 sq.ft selling area
- Parking facility
- Open 7 days a week for long hours.
- Wide range of products with limited brand choice
- OTC medicines
- Toiletries etc

**5. Discount Stores**

As the name suggests, this retail format's key character is the price of merchandise offered by the store, which is subject to individual customer perception. By and large discount store is a retailer that sells merchandise at a price level that is lower than the "typical high-street stores". It is customary that the retailer uses the every day low pricing policy.

**6. Catalog Shops**

The basic design is that very little product is displayed in the outlet in comparison to the range as a whole, but informative catalogs are available for customers to browse through if they wish to. Having decided the product the payment is made and the customer waits for a while till the desired product is retrieved from the warehouse which is attached to the showroom.



### 7. Factory Outlet

This type of outlet offers the customer a range of seconds-quality or previous season's stock. The main advantage to the retailer is to push off the unwanted merchandise without damaging the image of the main product or retail brand, which otherwise occupies a large storage space with funds locked in for a long time. On the other hand the consumer is benefited to access certain brands which might not be affordable to him. These are commonly next to the factory premises.

### 8. Company Owned and Company Operated

These are the type of retail outlets that are run by the manufacturer only. These retail outlets are scattered across the length and breadth of the country. e.g., Bata.

### Q6. Differentiate between the traditional and the modern retail formats in India?

*Ans.:*

S.No.	Basis of Differentiation	Traditional Retailing	Non Traditional/ Modern Retailing
1.	Scope	It has a limited scope of operation may be operating within a specific city or a specific region. It has limited geographical presence.	Its scope is wider as it tends to opera throughout the country.
2.	Service	The expectations of the consumers related to the sale of products are low. Traditional channels such as kirana store involves high level of customer involvement.	The expectations of the consumers relate to the sale of products are high. The model channels involve low levels of custom involvement.
3.	Delivery	It does not involve delivery norms from the delivery of goods to the customers.	The delivery process involves well-define delivery norms barcodes, fixes specific tin for the delivery of goods before the expiry procurement orders.
4.	Volumes	The trade volumes/purchase and sale of goods are found to be consistent.	The trade volumes/purchase and sale of good are found to be high as consumers look for promotionary offers and regular expansions.
5.	Margins	Trade margins associated with the traditional retailing is found to be higher and is also associated with low retention rates.	Trade margins associated with modern retail in is found to be low and is also associated will high retention rates.
6.	Merchandise	It has high visibility and merchandise are displayed in clusters.	It has innovative form of merchandising.

7.	Promotions	Promotions is usually seasonal in nature.	Promotions is either monthly or on a daily basis
8.	Training focus	Involves moderate focus on the training needs.	High levels of training.
9.	Credit terms	Low credit facilities will be available to the consumers.	High credit facilities will be available to the consumers.
10.	Relationships	Traditional trade is usually dependent on personal relationship between sales personnel and owner.	Modern trade is dependent on professional and legal relationships.

**Q7. Compare and contrast traditional retailing and global retailing.**

*Ans :*

(Dec.-19)

S.No.	Area	Traditional Retailing	Global Retailing
1.	Definition	It refers to the traditional retailing process which involves a set of activities which result in the creation of value added services which are sold to the final consumer for consumption.	All the activities involved in selling products and services to final international consumers for their personal consumption.
2.	Scope of Influence	Its scope is narrow, limited to a particular local geographic area.	Its scope is wide and covers a vast geographic area.
3.	Capital Investment	The required capital investment is very small. It requires a few lakhs rupees.	The required capital investment is very large. It requires many crores of rupees.
4.	Types	It includes local independent stores (Kirana Stores) co-operative stores etc.	It includes aggressive global retailer cautious, global retailer etc.
5.	Merits	Merits includes knowledges of local tastes, preference, ease of starting business etc.	Merits includes increased socio-economic welfare wider markets, economies of scale, specialization etc.
6.	Demerits	Demerits includes stiff competition, capital insufficiency e-stores etc.	Demerits includes political risks, huge foreign indebtedness, entry and exit barriers corruption etc.
7.	Significance	They act as local distribution channels provides value added services.	They act as reliable providers of international brand goods or services, innovation and development.
8.	Supply Chain Length	It consists of a very simple supply chain for the distribution of goods and services.	It consists of a long and complex supply chain for the distribution of goods and services.

**Q8. Explain different types of retail formats.**

*Ans :*

**Form of Ownership**

A retail business like any other type of business can be owned by a sole proprietor, partners or a corporation. A majority of retail business in India are sole proprietorships and partnerships.

**(i) Independent Retailer**

Generally operates one outlet and offers personalized service, a convenient location and close customer contact. Most of the independent retailers fail because of the ease of entry, poor management skills and inadequate resources.

**(ii) Retail Chain**

It involves common ownership of multiple units. In such units, the purchasing and the decision making are centralized. Chains often rely on specialization, standardization and elaborate control systems. Consequently chains are able to serve a large dispersed target market and maintain a well known company name.

**(iii) Retail Franchising**

Is a contractual arrangement between a "franchiser" (which may be a manufacturer, wholesaler, or a service sponsor) and a "franchisee" or franchisees, which allow the latter to conduct a certain form of business under the established name and according to a specific set of rules. The franchise agreement gives the franchiser much discretion in controlling the operation of the small retailer.

**(iv) Cooperatives**

A retail co-operative is a group of independent retailers that have combined their financial resources and their expertise in order to effectively control their wholesaling needs. They share the purchases, storage, shopping facilities, advertising planning and other functions. The individual retailers retain their independence but agree on broad common policies, e.g., Amul

**Store Strategy Mix**

Retailers can be classified by retail store strategy mix, which is integrated combination of hours, location, assortment, service, advertising, and prices; the various categories are :

**(i) Convenience Store**

Is generally a well situated, food oriented store with long operating hours and limited number items. e.g., a store where milk, eggs, bread etc are sold.

**(ii) Conventional Supermarkets**

Is a diversified store which sells a broad range of food and non-food items. A supermarket typically carries small house hold appliances, some apparel items, bakery, film developing books, audio/video etc. e.g.: Apna Bazaar, Sharkar Bandar, Sabka Bazaar etc.

**(iii) Departmental Stores**

A departmental store usually sells a general line of appeal for the family, house hold linens, home furnishing and appliances. Large format appeal departmental stores include Pantaloons, Ebony, Shoppers stop and Westside.

**(iv) Specialty Store**

Concentrates on the sale of single line product or services, such as audio equipment, jewelry, beauty and health care etc. Successful specialty stores in India include, Music World for audio needs, Tanishq for jewellery, Pizza Hut and Nebulas for food items.

**(v) Hypermarkets**

Is a special kind of combination store which integrates an economy super market with a discount department store. A hyper market generally has an ambience which attracts the family as a whole. Eg: Pantaloon Retail India Ltd. (PRIL) through its hypermarket 'Big Bazaar' offers products at prices which are 25%-30% lower than the market prices.

### Non-Store Retailing

In non-store retailing customers do not go to stores to buy. On the other hand a nonretailer does not utilize conventional store facilities. This type of retailing has been growing much faster than store retailing. The reasons are the ability to buy the merchandise available at the local stores, the increasing number of women workers, and the presence of the unskilled retail sales persons who cannot provide the information to help shoppers make buying decisions. The major types of non-store retailing are:

#### (i) In Home / TV Home Retailing

Here, a sales transaction takes place in a home Retail Formats setting- including door-door selling. It gives the sales person an opportunity to demonstrate products in a personal manner. He/She has the prospect's attention and there are fewer distractions as compared to store settings. E.g., Eureka Forbes vacuum cleaners and water filters.

In case of TV home shopping customers watch a TV programme demonstrating merchandise and then place orders for the products over telephone. The prominent players in this are Asian Sky Shop, Telebrands, TSN, etc. However, in India retailers have not set up a channel dedicated to TV home shopping.

#### (ii) Telesales / Telephone Retailing

This involves contact between the prospect buyer and the retailer over the phone for the purpose of making a sale purchase. A large number of mobile phone service providers uses this method. eg; private insurance companies and credit card companies.

#### (iii) Catalog Retailing

The type of non-store retailing which offers the merchandise through a catalogue, which includes the ordering instructions and customer orders by mail. The basic attraction for the shoppers is the convenience; the advantage to the retailer is the low operating

costs, lower rents, smaller sales staff and the absence of shoplifting. This trend is catching fast in India. e.g. Burlington's Catalogue, Oriflame, Avon etc.

#### (iv) Direct Response Retailing

Here the marketers advertise these products / services in the magazines, newspapers, radio, television offering an address or telephone numbers, so that the consumers can write or call to place an order.

#### (v) Automatic Vending

Although in a very nascent stage in India, is the ultimate in non personal, non store retailing. Products are sold directly to customers /buyers from machine. These machines dispense the products which enable the customers to buy after the closing hours. ATM dispenses cash at odd hours represent this form of non store retailing. Apart from many multinational banks many Indian banks also -provide ATM services country wide.

#### (vi) Electronic Retailing(e-tailing)

It is a retailing format in which retailers communicate with the customers and offer the products and services for sale through the internet. In this format, Electronic links to suppliers create a virtual inventory and a web site creates a virtual store front. When internet transcripts are tightly integrated with back end office system, the retailer can provide better services to customers while reducing the cost of operations.

### Q9. Explain the following terms with suitable examples.

- (i) Hyper market
- (ii) Super market
- (iii) Offshore retailers

Ans :

(Dec.-20, Imp.)

#### (i) Hyper market

Is a special kind of combination store which integrates an economy super market with a

discount department store. A hyper market generally has an ambience which attracts the family as a whole. Eg: Pantaloon Retail India Ltd. (PRIL) through its hypermarket 'Big Bazaar' offers products at prices which are 25%-30% lower than the market prices.

**(ii) Super market**

Super markets are low cost, low margin and high volume self-service stores, providing grocery and non-food items. It covers atleast 70% of space for selling foodstuffs and daily household products. It provides wet and dry groceries and non-food items such as health and beauty acids and general merchandise. The size of these markets will be around 8,000 - 20,000 sq.ft Internationally and 800 - 5,000 sq.ft. in India.)

**(iii) Offshore retailers**

Offshore retailers are the businessmen who offshore i.e., outsource their customer service and administrative tasks to other companies, consultants or BPOs. They delegate these tasks or functions in order to improve productivity and efficiency in business operations. Offshoring is now became the common strategy for most of the retailers who want to expand their business globally. Offshoring retailers receive more benefits compare to normal retailers because except customer service and administrative tasks the offshore retailer handle only other activities of business. This reducing the burden of retailers who opened branches in other countries. Thus, offshore retailers becoming more successful than normal retailer in todays business environment.

### 2.3 EMERGENCE OF MALLS IN INDIA

**Q10. Discuss the Emergence of Malls in India.**

*Ans :*

Mall management broadly includes mall positioning, zoning, tenant mix, promotions/marketing and facility/finance management.

One of the factors that are critical to the success of malls is mall management. Malls must go that extra mile to cater to every need of their customers. Thus the need for managing malls effectively and efficiently through SOPs (Standard Operating Procedures), is becoming the urgent need of the society and business as a whole.

Now, mall managers must strive for elective operations and maintenance of the entire building, infrastructure; including the services and utilizes and ensure that they are used in a way that is consistent with the purpose for which they were built. Further, mall management also helps in finding the right kind of tenants, while leasing out space to tenants. Mall management has been identified as a critical factor for the success of malls and the retail industry across the world.

Another important factor to be considered is the mall layout and customer walk flow management. To be ahead in the race of attracting people and creating uniqueness, malls must focus on creating a layout which gives maximum visibility to retailers, providing them with ample display space, tactfully and technically using dead spaces and creating focal points to attract customers.

As malls are turning to community centres, it becomes difficult for mall managers to control the vast number of visitors. Malls simply can't shut their doors after a certain number of people enter, saying we have enough crowd. Thus mall developers need to consider entertaining hundreds of people when designing a building.

Malls need to manage foot traffic and parking facilities as well. Foot traffic management involves crowd management inside the operational area of a mall. The flow of people is related to the design of the mall and the spatial distribution of its tenants. For example, a star-shaped mall tends to have a problem of crowding in the centre of the mall, as everyone has to pass through the centre while moving from one side to the other. On the other hand, circular malls usually do not face the problem of traffic congestion because they tend to have better pedestrian flow.

Managing parking facilities includes provision of ample parking and management of vehicles in the parking lot. Branding and advertising is one of the latest trends in retail mall retail estate that vacant spaces are being used for advertising displays to promote malls, its retailers and the retailers' products. This can often be hi-tech, involving the use of digital displays, and draw the shopper's attention to specific merchandise or promotions in a nearby store.

Until 1990, street markets and bazaars were the top performers in the Indian retail Sector, and they contributed immensely to sales. But after 1990, country saw an emergence of mall culture especially in metros like Delhi (NCR) and Mumbai with an incredible pace. Just a few years before, people had to make a choice among shopping, movies or hanging out on a holiday but thanks to our malls, all these jobs can be performed at the same time, under the same roof and that too with a wonderful experience.

People find these malls to be the best place to shop or hang out in summer heat as they offer free entry to a completely air conditioned complex with good music playing all around and loads of window shopping opportunity which is appreciated by one and all. Not to forget the numerous food joints that serve different cuisines meant to create a center of attention for all the foodies. Though malls are equally popular among all ages, the true lovers of multiplexes are the youngsters for whom malls are the 'ultimate place to roam'.

These emerging formats serve various purposes like shopping, entertainment, get together, dating or simply a free of cost good place for time pass. For teenagers especially the colleges going students, unfortunately, malls have become the coolest and safest place to go bunking. Opening of dance floors (discos) have added a new adventure and fun to teenage life.

These 'never seen before' experiences have changed the trends to an extent that the glamour that could be seen only on the silver screen has now come to all major cities and one can easily see it in his/her neighborhood. Almost all the malls present in any region can match any high-quality mall in any part of the world.

The reason why shopping malls are getting popularity and acceptability actually lies in their international appeal. The shopping experiences of West/Europe now are everywhere around us. If we dive back in time to the early Nineties, Ansal Plaza (Delhi) and Maya/Spencer Plaza (Chennai) appeared to be the only popular shopping malls of the country but presently there are more than one fifty well-established malls are in the country while over 300 new shopping malls under construction in the various parts of the country posing threat before traditional kirana stores.

Traditional retailers and market platforms now have to imitate malls by creating a better overall shopping experience for potential customers by offering a mix of diverse products - including food and beverage as well as entertainment outlets - preferably under one roof, like malls offer.

A consumer is attracted to a mall because of the availability of world-class ambience and services, exposure to a multitude of brands, tempting promotional offers and significant periodic discounts. The superior ease of shopping in air-conditioned, aesthetic comfort as well as access to a variety of food options are added incentives to mall visitors.

## 2.4 FRANCHISING

**Q11. Define Franchising. Explain the features of Franchising.**

*Ans :*

**(July-21, Imp.)**

Franchising can be defined as "a contractual agreement between or license between two parties (Franchisor & Franchisee) for the purpose of organizing and managing business, where the parties are mutually benefited".

Franchise is one form of exclusive retailing. It in fact, is not just a method of retailing. It is a method of marketing which is lying between entrepreneurship and employment. A franchiser is an independent business person who abides by the marketing plan of the financier and pays him a fee for the use of his brand and known-how.

Franchise is a form of business organization in which a firm which already has a successful product or service (the franchisor) enters into a continuing contractual relationship with other businesses (franchisees) operating under the franchisor's trade name and usually with the franchisor's guidance, in exchange for a fee.

In its simplest terms a franchise can be considered a license from owner of trademark or trade name permitting another to sell a product or service under that name or mark. The usefulness of franchising lies in the fact that it helps the mega corporations to expand their business and popularize their brand names without investing large amounts of money. These corporations act as 'franchisers'.

#### Features

- (i) **Two Parties** – In a franchise there are at least two sides – the franchiser and the franchisee. There can be more than one franchisee.
- (ii) **Written Agreement** – There is an agreement in writing between the franchiser and the franchisee.
- (iii) **Exclusive Right** – The franchiser owns a brand or trade mark and allows the franchisee to use it in a specific area under a license.
- (iv) **Payment** – The franchisee makes an initial payment for the license and becomes a part of the franchiser's network. He also pays a regular license fee which may be an agreed percentage of sales or profits.
- (v) **Support** – The franchiser provides assistance to the franchisee in marketing, equipment and systems, staff training, record keeping. The franchiser initially sets up the business to be run by the franchisee.
- (vi) **Restrictions** – The franchisee is required to operate the business in accordance with the policies and procedures specified by the franchiser. He gives an undertaking not to carry on any competing business and not to disclose confidential information regarding the franchise. The franchiser cannot terminate the agreement before its expiry except for 'good cause'.

- (vii) **Specified Period** – The agreement is for a specific period e.g., five years. On the expiry of this period, the agreement may be renewed with the mutual consent of both the parties.

#### 2.4.1 Types of Franchising

**Q12. Write about the different types of franchising.**

(OR)

**Describe different types of franchising.**

(OR)

**What are the different types of Franchising?**

*Ans.:*

(Dec.-20, Dec.-18)

There are three main types of franchise opportunities available, these are:

1. Business format franchises
2. Product franchises, or Single operator franchises
3. Manufacturing franchises

#### 1. Business format franchises

The most common type of franchise is the business format franchise. This type of franchising facilitates the expansion of the franchiser business by allowing individuals to buy a business with an established brand name. New business owners will often be supported throughout the initial business stages and will continue to receive support in running their business. In return for the offered support, access to experienced professionals, and the right to use the business name and trademarks, the new business owner is obligated to pay a royalty fee to the franchiser on a regular basis.

The best example of this franchise model can be found in the fast food industry. If you buy a McDonald's franchise, you will own that particular franchise, and the parent company (McDonald's) will collect regular royalty fees from you. The parent company will provide

you with ongoing support, the right to use their brand name, and with any staff training materials you may need. You are, however, obligated to buy all necessary supplies, such as stock and uniforms, directly from them.

## 2. Product franchises or Single operator franchises

This type of franchise model focuses on individuals who are selling products or delivering a service in a specific trade or industry field. The franchiser will allow you to use their brand name and trademarks, provide you with the uniform and equipment needed to properly represent the brand, and offer you ongoing support. Product franchises are a great option for first-time business owners, independent contractors, and home businesses since the investment needed is usually smaller than that of business format franchises.

A good example of this is an independent contractor investing in a franchise that has an established name and reputation in their field of work. For example, if a self-employed plumber invests in a franchise offering plumbing services, they will then have access to a wider customer base, greater advertising potential, and the support of a team of professionals who will help the plumber to handle bookings, payments, and complaints.

## 3. Manufacturing franchises

In manufacturing franchises, the franchiser allows a franchisee to produce items using their brand name and trademark. While this type of franchise is the most popular among food and drink companies, they can also be found throughout the manufacturing industry, from children's toys to cars.

The best example of this would be a soft drinks company. The parent company will produce the concentrated syrup and then sell it, as well as the right to use their brand name and trademarks, to a bottling company. That

company will then mix the syrup with water and bottle the finished product before selling it on to various suppliers.

So, there we have it, your introductory guide to the three main types of franchises. If you would like to start your own business or become self-employed, then buying an established franchise is a great place to start. With an experienced franchiser taking care of customer support and providing everything you need to get started, the only risk you have to take is the initial investment.

### 2.4.2 Advantages and Disadvantages of Franchising

**Q13. Discuss the Advantages and Disadvantages of Franchising.**

OR

**Write about Advantages and Disadvantages of Franchising**

*Ans.*

(Dec.-20, July-19)

#### Advantages

- **Cost-Effective Expansion:** Franchisees handle the research and funding for outlets in your chain, which means you do not have to spend your own capital or request additional funding from banks or investors in order to grow your business.
- **Marketing Support:** Every franchise location uses the same tried and true marketing plans, which helps eliminate the costly guess work when starting an independent business. You will also have the power of a national and/or regional advertising fund.
- **Additional Sources of Revenue:** As the franchisor, you will receive additional income in the form of on-going royalties paid by your franchisees, depending on your franchise agreement. Royalties typically include a monthly fee including a percentage of the franchisees gross sales.



- **Acquiring Talented Managers:** The managers chosen to run each franchised location will have a vested interest in its success, unlike a salaried employee, and will be responsible for handling any issues related to employees, workers' compensation, etc.
- **Scalability:** Depending on your needs and goals, you can customize your franchise agreement to focus on large volume national growth or low volume regional growth.

#### Disadvantages

- **Capital Investment:** Establishing a franchise requires investment of time and money in business development, a flagship store, legal document preparation, marketing and packaging plans, and recruiting franchisees.
- **Less Control:** The franchisees will agree to follow your training and instructions, but you may not be able to make changes without running into disagreements. Your franchisees are still independent businesses and negotiations may be necessary.
- **Costly Legal Action:** In the event that a franchisee refuses to cooperate or proves unprofitable, legal action may be required, which can be both costly and damaging to your reputation among other franchisees.
- **Regulation:** Franchises are regulated by state and federal laws, requiring the development of a Franchise Disclosure Document (FDD) and other Regulatory Documents with the help of an attorney.

### 2.5 LEGAL ISSUES IN FRANCHISING IN INDIA

#### Q14. Explain the Legal Issues involved in Franchising in India

*Ans :*

When a person decides to take up franchising as a way of doing business, among other things, one of the key areas to be looked into is the franchise agreement and the laws of the land governing such an agreement. In this section, we briefly look at the

key elements which make up a franchise agreement, followed by some of the laws as are applicable in India.

The franchise agreement is a legal document which governs the relationship between the two parties, i.e, the franchisor and the franchisee. A typical franchise agreement starts by stating the parties between whom the agreement is signed, the date, and it may define key terms which are used in the agreement. Other key elements that are mentioned include:

1. The time span/duration of the agreement.
2. Obligations/duties of the franchisor.
3. Obligations/duties of the franchisee.
4. The territory under which the franchisee will operate.
5. The franchise fee and the right to use the franchisor's trademark/brand/patent and signages.
6. The training or support that will be provided by the franchisor.
7. Royalties as may be payable.
8. Support as in terms of advertising and other promotions.
9. Terms of renewal and termination/cancellation policies.

In India, a franchising relationship is a contractual relationship and therefore, the Indian Contract Act, 1872, is applicable to all franchising arrangements. Complaints and legal action from consumers in the Indian context, would fall under the purview of the Consumer Protection Act, 1986. Under this Act, a consumer can file a complaint with the consumer forums for unfair or restrictive trade practices adopted by a trader, for any defects/deficiencies in the goods or services supplied by the trader, if the goods being offered for sale are hazardous to life or if they do not conform to certain provisions of the law.

The rules under the Standards of Weights and Measures Act, 1976, would be applicable if the

agreement pertained to the sale or distribution of goods by weight, measure or number. In case an international franchise arrangement is in place between an Indian resident and a non-resident, it would have to comply with the Foreign Exchange Management Act, 1999, and the rules framed thereunder. Royalties paid by the franchisee to the franchisor for the use of the franchisor's intellectual property rights, would also be subject to tax.

Laws pertaining to the holding and leasing of real estate would also have to be evaluated to understand the implications therein for franchising. Similarly, labour laws pertaining to the hiring of staff, work hours and benefits to be granted to the employees will have to be taken into consideration. In case the franchising operation is set up on the Internet, it would be necessary to understand and deal with laws pertaining to security, privacy and liability.

Various other issues and laws may also be applicable with reference to the specific sub sector of the industry of which the franchisee is a part of. All such specific laws must be carefully analysed and adhered to before entering into the franchising relationship.

To conclude the chapter, we consider the example of Lakme, a successful franchisor in the Indian context.

## 2.6 THEORIES OF RETAIL DEVELOPMENT

**Q15. Explain the various theories of retail development.**

*Ans :*

Retail development can also be looked at from the theoretical perspective. No single theory can be universally applicable or acceptable. The application of each theory varies from market to market, depending on the level of maturity and the socio-economic conditions in that market.

The theories developed to explain the process of retail development revolve around the importance of competitive pressures, the investments in

organisational capabilities and the creation of a sustainable competitive advantage. This requires the implementation of strategic planning by retail organisations. Growth in retail is a result of understanding market signals and responding to the opportunities that arise in a dynamic manner. Theories of retail development can broadly be classified as:

### 1. Environmental

Where a change in retail is attributed to the change in the environment in which the retailers operate.

### 2. Cyclical

Where change follows a pattern and phases can have definite identifiable attribute' associated with them.

### 3. Conflictual

The competition or conflict between two opposite types of retailers leads to a new format being developed.

## 2.7 ENVIRONMENTAL THEORY

**Q16. Discuss in detail the environmental theory of retail development**

(OR)

**Illustrate the environmental theory of retail development.**

*Ans :*

(July-21, Imp.)

Environmental theory of retail development focuses on the environment in which retailers operate. This theory is according to the Darwinian approach which became popular with the phrase "survival of the Fittest". According to this theory, changes in retail outlets is due to changes in retailing environment in which retailers operates. It comprises of customers, competitors and changing technology change in single outlet effects the entire retailing environment and thus affecting all retail outlets. If any retail outlet does not adjust to the changing trends in retailing environment, it loses its sustainability in

the market. Birth, success and decline of retail units depends on the retailing environment. Thus, it can be said that retailing environment alters the profitability of retail stores.

### Factors of Retailing Environment

Following are the factors of retailing environment,

#### 1. Related to Customers/Consumers

Retailer must find consumers for his products because they are considered as the most important part of retailing. However, the loyalty of consumers with products mainly depends on the degree of their satisfaction. Demographic factors related to consumers like population, age groups, taste and preferences, changes in lifestyle of consumers affect the retailing environment.

#### 2. Related to Changing Technology

Each day brings new technology as such old ones become obsolete. Technology makes the business simple. Retailers should be up to date with the rapid technological changes because it is essential for better functioning. Thus, technological factors effects and influence retailing environment.

#### 3. Related to Competition

Every retailers do not enjoy monopoly in market except few retailers. They face with various forms of competition. Therefore, they should be strong enough to face the competition for surviving in worst situations and taking chances from opportunities.

#### 4. Related to Economic Changes

Economic factors include per capita income, money supply, price level, employment generation, etc. These factors always influence the retailing environment. Retailers therefore should have all the information required and study the impact of these factors on the business. As a result, he will be able to run his business smoothly.

#### 5. Related to Legal Changes

There are various rules and regulations regarding different business processes. It could be foreign exchange management, essential commodities act, patents, copy rights, consumer protection act and so on. Retailers must follow all the rules of business law if they want to be on the good side of the government. Otherwise, their business will be in different problems or may get shut down.

Hence, it can be concluded according to Darwinian approach of "survival of the fittest" that, retailers who adopt technological, economic, demographic and legal changes in retailing field will be successful in retailing business.

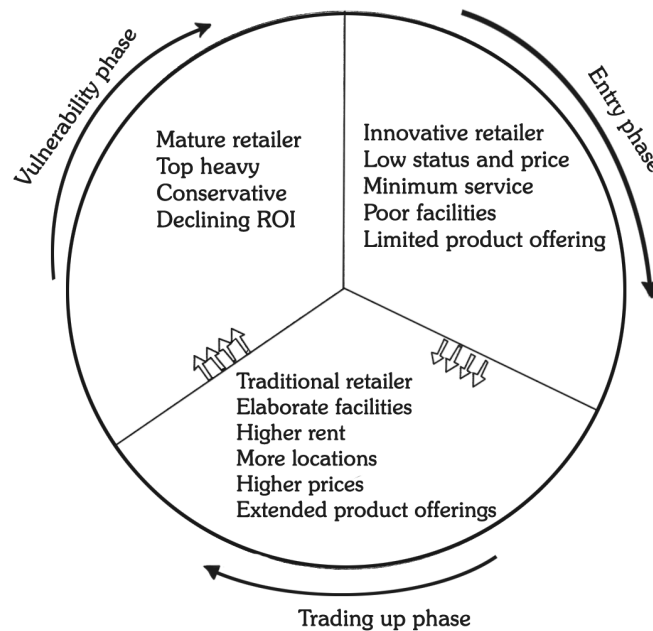
#### 2.7.1 Cyclical Theory

**Q17. Explain briefly about Cyclical Theory.**

*Ans.:*

The most well known theory of retail evolution is The Wheel of Retailing theory. This theory, described by McNair, helps us understand retail changes. This theory suggests that retail innovators often first appear as low-price operators with a low-cost structure and low profit-margin requirements, offering some real advantages, such as specific merchandise which enables them to take customers away from more established competitors.

As they prosper, they develop their business, offering a greater range or acquiring more expensive facilities, but this can mean that they lose the focus that was so important when they entered the market. Such 'trading up' occurs as the retailer becomes established in his own right. This in turn, leaves room for others to enter and repeat the process. They then become vulnerable to new discounters and lower-cost structures that take their place along the wheel. Scrambled merchandising occurs as the retailer adds goods and services that are unrelated to each other and the firm's original business to increase overall sales and profit margins. This is termed as the wheel of retailing, This is depicted in Figure.



**Fig. : The Wheel of Retailing**

The theory of the wheel of retailing can be understood by taking the example of department stores, which started as low-cost competitors to the small retailers; they developed and prospered; then they were severely undercut by supermarkets and discount warehouses.

This theory does not explain the development of retail in all markets. In less developed markets, introduction may not necessarily occur at a low price — here, introduction may occur at a high price.

Hollander was a key observer of retail evolution and he used the analogy of an orchestra comprised exclusively of accordion players to describe the dynamically shifting retail structure.

This so called 'accordion' effect describes how general stores moved to specialise, but then widened their range of merchandise again as new classes of products were added. Hollander suggested that the players either have 'open accordions', representing general retailers with broad product ranges, or 'closed accordions', thus indicating a narrowing of the range, focusing on specific merchandise. He suggested that at any point in time, one type of retailer would outnumber the other, but that the situation would continually change through the arrival and departure of different stores. This analogy illustrates the complexity of the retail scene, and the way different attitudes to successful retailing will come in and go out of fashion at different times. The Accordion theory and the Wheel of retailing are known as the cyclical theories.

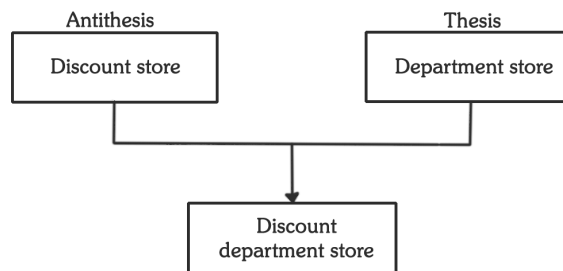
### 2.7.2 Conflict Theory and Concept of Life Cycle in Retail

**Q18. Discuss the theory of conflict.**

*Ans. :*

Conflict always exists between operators of similar formats or within broad retail categories. It is believed that retail innovation does not necessarily reduce the number of formats available to the consumer, but leads to the development of more formats. Retailing thus, evolves through a dialectic process, i.e., the blending of two opposites to create a new format. This can be applied to developments in retailing as follows:

- a) **Thesis:** Individual retailers as corner shops all across the country.
- b) **Antithesis:** A position opposed to the thesis develops over a period of time. These are the department stores. The antithesis is a "challenge" to the thesis.
- c) **Synthesis:** There is a blending of the thesis and antithesis. The result is a position between the thesis and antithesis. Supermarkets and hypermarkets thrive. This synthesis becomes the thesis for the next round of evolution.



**Q19. Explain the concept of the retail life cycle.**

*Ans :*

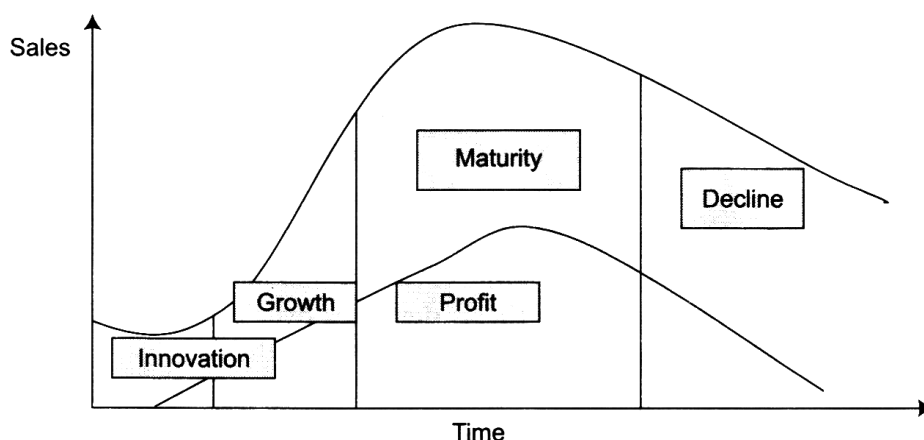
(Dec.-19, July-19)

The concept of product life cycle as explained by Philip Kotler, is also applicable to retail organisations. This is because retail organisations pass through identifiable stages of innovation, development, maturity and decline. This is what is commonly termed as the retail life cycle.

Attributes and strategies change as institutions mature. The 'Retail Life cycle' is a theory about the change through time of the retailing outlets. It is claimed that the retail institutions show an 's- shaped' development through their economic life. The s-shaped development curve has been classified into four main phases:

**(a) Innovation**

A new organisation is born it improves the convenience or creates other advantages to the final customers that differ sharply from those offered by other retailers. This is the stage of innovation, where the organisation has a few competitors. Since it is a new concept, the rate of growth is fairly rapid and the management fine-tunes its strategy through experimentation. Levels of profitability are moderate and this stage can last up to five years depending on the organisation.



**(b) Accelerated Growth**

The retail organisation faces rapid increases in sales. As the organisation moves to stage two of growth, which is the stage of development, a few competitors emerge. Since the company has been in the market for a while, it is now in a position to pre-empt the market by establishing a position of leadership. Since growth is imperative, the investment level is also high, as is the profitability. Investment is largely in systems and processes. This stage can last from five to eight years. However, towards the end of this phase, cost pressures tend to appear.

**(c) Maturity**

The organisation still grows, but competitive pressures are felt acutely from newer forms of retailing that tend to arise. Thus, the growth rate tends to decrease. Gradually, as markets become more competitive and direct competition increases, the rate of growth slows down and profits also start declining. This is the time when the retail organisation needs to rethink its strategy and reposition itself in the market. A change may occur not only in the format but also in the merchandise mix offered.

**(d) Decline**

The retail organisation loses its competitive edge and there is a decline. In this stage, the organisation needs to decide if it is still going to continue in the market. The rate of growth is negative, profitability declines further and overheads are high.

The retail business in India has only recently seen the emergence of organised, corporate activity. Traditionally, most of the retail business in India has been small owner-managed business. It is hence, difficult to put down a retail organisation, which has passed through all the four stages of the retail life cycle.

In the private sector, till a few years ago, most cities in India had a few independent retailers. For example, Mumbai had stores like Akbarally's, Premsons, Amarsons and Benzer. Then Shopper's Stop opened its first outlet in Mumbai in 1991. The store initially offered apparel, imitation jewellery, cosmetics and perfumes and home fashion. It also had a customer loyalty programme in place, which many stores at that time did not offer.

The store enjoyed an enviable position for a while. However, with the change in customer expectations and increased competition in the form of other department stores like Globus, Westside, Lifestyle, etc. and the rise of specialty stores, the company has been forced to rethink its product offering. It now, not only stocks apparel, jewellery, cosmetics, etc. that it earlier stocked, but has also acquired the bookstore chain - Crosswords.

Crossword counters have been added to many of the existing stores. The store in Andheri also houses Planet M, a music retail chain and a small coffee shop. In May 2008, the company embarked upon a major exercise in terms of repositioning of the store, which involved among other things, a change in the logo. It is necessary to keep in mind that a retailer need not always move from maturity to decline. By reworking the marketing strategy or by changing the product or service offering, a retailer may succeed in moving back to the growth phase after reaching a stage of maturity with a certain format and a certain mix of products.

## Short Question and Answers

### 1. Retail formats with suitable examples.

*Ans :*

Traditional retail formats refer to those formats that have long been part of the retail landscape of India. They include formats like kirana and independent stores that are typical of the unorganized retail sector across product categories and also the most administratively organized form of Indian retailing—co-operatives and government-controlled retail institutions (like the public distribution system and cottage emporiums). In terms of professional management and efficiency of integration with the value chain, the traditional retail formats are better classified under the unorganized retail sector.

There are predominantly two types of traditional retail formats, namely :

- A) Kirana and independent stores.
- B) Co-operative and government-owned stores

### 2. Central Cottage Industries Emporium.

*Ans :*

The Central Cottage Industries Emporium (CCIE) is a Government of India undertaking to promote sales of artisanal goods to tourists as well as local customers. There are six stores across the country, by the same name, all keeping up the tradition of displaying and selling crafts from various regions of India.

The government runs the Central Cottage Industries Emporium, which has branches in each major city. These are well-appointed, multi-storeyed complexes containing a selection of handicrafts from every corner of the country. In order to provide attractive markets in urban centres and right prices to the artisans and craftsmen, the government launched the CCIE to provide them with an alternative retail channel.

India has, over the centuries, kept its arts and crafts alive—ivory, brass, silver, copper, gold, jewellery, silks and brocades, leather goods, carpets, excellent woodwork items, precious and semiprecious stones, blue pottery, and an unending list of other goods.

### 3. Modern Retail formats in India.

*Ans :*

You would agree and also appreciate that modern retail formats and store based formats are one and the same. Each of these stores have an entity of its own to cater to. Let us, now, briefly discuss the following modern retail formats.

#### 1. Department Stores

These are the oldest form of large store concept. It is a multi-level store format usually between 2-5 stories which are segmented into clearly defined areas according to product category.

#### 2. Variety Stores

This format offers a large variety of goods under one roof, including both food and non-food items. A variety store differs from departmental store in product range, store environment and prices.

#### 3. Supermarkets / Hypermarkets

The success of supermarkets is attributed to the advantage of offering self service, and therefore much faster method of shopping and saving time. In addition, the space and labour saving factors allow retailers to offer a wide choice of products at lower prices.

The major benefits of this format are:

- Allows the customer to get involved with concept)
- The ability to pursue the product offering,
- Try new product and impulsive purchase. the product touch and feel
- Supermarkets, superstores and hypermarkets can be considered in the same family of retail format.

#### 4. Convenience Store

The criteria applied to this store format is:

- Self service
- 1000-3000 sq.ft selling area

- Parking facility
- Open 7 days a week for long hours.
- Wide range of products with limited brand choice
- OTC medicines
- Toiletries etc

#### 5. Discount Stores

As the name suggests, this retail format's key character is the price of merchandise offered by the store, which is subject to individual customer perception. By and large discount store is a retailer that sells merchandise at a price level that is lower than the "typical high-street stores". It is customary that the retailer uses the every day low pricing policy.

#### 4. Non-Store Retailing

*Ans :*

In non-store retailing customers do not go to stores to buy. On the other hand a nonretailer does not utilize conventional store facilities. This type of retailing has been growing much faster than store retailing. The reasons are the ability to buy the merchandise available at the local stores, the increasing number of women workers, and the presence of the unskilled retail sales persons who cannot provide the information to help shoppers make buying decisions. The major types of non-store retailing are:

##### (i) In Home / TV Home Retailing

Here, a sales transaction takes place in a home Retail Formats setting- including door-door selling. It gives the sales person an opportunity to demonstrate products in a personal manner. He/She has the prospect's attention and there are fewer distractions as compared to store settings. E.g., Eureka Forbes vacuum cleaners and water filters.

In case of TV home shopping customers watch a TV programme demonstrating merchandise and then place orders for the products over telephone. The prominent players in this are Asian Sky Shop, Telebrands, TSN, etc. However, in India retailers have not set up a channel dedicated to TV home shopping.

##### (ii) Telesales / Telephone Retailing

This involves contact between the prospect buyer and the retailer over the phone for the purpose of making a sale purchase. A large number of mobile phone service providers uses this method. eg; private insurance companies and credit card companies.

#### 5. Electronic Retailing(e-tailing)

*Ans :*

It is a retailing format in which retailers communicate with the customers and offer the products and services for sale through the internet. In this format, Electronic links to suppliers create a virtual inventory and a web site creates a virtual store front. When internet transcripts are tightly integrated with back end office system, the retailer can provide better services to customers while reducing the cost of operations.

#### 6. Offshore retailers.

*Ans :*

Offshore retailers are the businessmen who offshore i.e., outsource their customer service and administrative tasks to other companies, consultants or BPOs. They delegate these tasks or functions in order to improve productivity and efficiency in business operations. Offshoring is now become the common



strategy for most of the retailers who want to expand their business globally. Offshoring retailers receive more benefits compare to normal retailers because except customer service and administrative tasks the offshore retailer handle only other activities of business. This reducing the burden of retailers who opened branches in other countries. Thus, offshore retailers becoming more successful than normal retailer in todays business environment.

### 7. Define Franchising.

*Ans :*

Franchising can be defined as “a contractual agreement between or license between two parties (Franchisor & Franchisee) for the purpose of organizing and managing business, where the parties are mutually benefited”.

Franchise is one form of exclusive retailing. It in fact, is not just a method of retailing. It is a method of marketing which is lying between entrepreneurship and employment. A franchiser is an independent business person who abides by the marketing plan of the financier and pays him a fee for the use of his brand and known-how.

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### 8. Legal Issues involved in Franchising in India

*Ans :*

When a person decides to take up franchising as a way of doing business, among other things, one of the key areas to be looked into is the franchise agreement and the laws of the land governing such an agreement. In this section, we briefly look at the key elements which make up a franchise agreement, followed by some of the laws as are applicable in India.

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9. Terms of renewal and termination/cancellation policies.

**9. Cyclical Theory.**

*Ans :*

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As they prosper, they develop their business, offering a greater range or acquiring more expensive facilities, but this can mean that they lose the focus that was so important when they entered the market. Such 'trading up' occurs as the retailer becomes established in his own right. This in turn, leaves room for others to enter and repeat the process. They then become vulnerable to new discounters and lower-cost structures that take their place along the wheel. Scrambled merchandising occurs as the retailer adds goods and services that are unrelated to each other and the firm's original business to increase overall sales and profit margins. This is termed as the wheel of retailing.

**10. Corporate Retail Famous in India.**

*Ans :*

A retail chain consists of multiple retail outlets owned and operated by a single entity all performing similar retail activities. While the number of retail outlets required to be classified as a chain has never been specified, we will assume that anyone owning more than five retail locations would be considered a chain.

Retailer that principally sells via the Internet. There are thousands of online-only retail sellers of which Amazon.com is the most famous. These retailers offer shopping convenience including being open for business all day, every day. Electronic retailers or e-tailers also have the ability to offer a wide selection of product since all they really need in order to attract orders is a picture and description of the product. That is, they may not need to have the product on-hand the way physical stores do.

Instead an e-tailer can wait until an order is received from their customers before placing their own order with their suppliers. This cuts down significantly on the cost of maintaining products in-stock.

**Vending**

Vending machines is a automatic machine from where we can purchase items like coldrinks, chocolates by throughing coins in it. While most consumers are well aware of vending machines allowing customers but newer devices are entering the market containing more expensive and bulkier products. These systems require the vending machine have either Internet or telecommunications access to permit purchase using credit cards.

**11. Concept of Supply Chain.**

*Ans :*

Retail Supply Chain Management is the process of managing the entire supply chain of retail organisations. The differentiating factor of retail supply chain management from other supply chain management is in the volume of product movement and the fast moving nature of the products of the retail industry. Retail supply chain has to be monitored very closely and has to be free from defects as the products are always on the move and the cycle time is very low. Further the continuous movement of materials across the supply chain is crucial to the success of any organisation in the retail industry. Hence retail management is very crucial to any organisation in the retail industry and has to be monitored closely and maintained properly.

Retail organisations are using SCM to control inventory levels, product quality, expenses, and timing. An effective supply chain strategy differentiates delivery terms and service offerings which are vital for optimising the customer service and balance of cost.

Supply chain management (SCM) is the process of synchronizing the flow of physical goods and associated information from the production line of low level component suppliers to the end consumer.

This results in the provision of early notice of demand fluctuations and synchronization of business processes among all cooperating organizations in this supply chain. Effective SCM results in the significant reduction of both cost and time in the procurement process, as well as reduction in inventory levels, thus enabling significant gains in the organizational productivity. Supply chain management (SCM) concept is revolutionizing the trade and business scenario across the globe.

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## 12. Hyper market

*Ans :*

Is a special kind of combination store which integrates an economy super market with a discount department store. A hyper market generally has an ambience which attracts the family as a whole. Eg: Pantaloon Retail India Ltd. (PRIL) through its hypermarket 'Big Bazaar' offers products at prices which are 25%-30% lower than the market prices.

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## 13. Discuss the theory of conflict.

*Ans :*

Conflict always exists between operators of similar formats or within broad retail categories. It is believed that retail innovation does not necessarily reduce the number of formats available to the consumer, but leads to the development of more formats. Retailing thus, evolves through a dialectic process, i.e., the blending of two opposites to create a new format. This can be applied to developments in retailing as follows:

- a) **Thesis:** Individual retailers as corner shops all across the country.
- b) **Antithesis:** A position opposed to the thesis develops over a period of time. These are the department stores. The antithesis is a "challenge" to the thesis.
- c) **Synthesis:** There is a blending of the thesis and antithesis. The result is a position between the thesis and antithesis. Supermarkets and hypermarkets thrive. This synthesis becomes the thesis for the next round of evolution.

## *Choose the Correct Answers*

1. PDS stands for \_\_\_\_\_ [ a ]  
(a) Public distribution system (b) Private distribution system  
(c) Partner (d) None
2. \_\_\_\_\_ are the interactive, free standing, electronic computer terminals. [ d ]  
(a) Malls (b) Catalogue stores  
(c) Rural marts (d) Video kisoks
3. \_\_\_\_\_ are aimed at facilitating the marketing process at district level [ c ]  
(a) Malls (b) Catalogue stores  
(c) Rural marts (d) Video kisoks
4. \_\_\_\_\_ stores are not accepted by Indian customers. [ b ]  
(a) Malls (b) Catalogue stores  
(c) Rural marts (d) Video kisoks
5. Franchising consists of \_\_\_\_\_ parties [ a ]  
(a) 2 (b) 3  
(c) 4 (d) 5
6. Under \_\_\_\_\_ franchises the franchiser allows a franchises to produce items using their brand name [ a ]  
(a) Manufacturing (b) Business format  
(c) Product (d) All
7. \_\_\_\_\_ model focuses on individuals who are selling products (or) services in a specific trade [ c ]  
(a) Manufacturing (b) Business format  
(c) Product (d) All
8. Retail life cycle consists of \_\_\_\_\_ stages. [ a ]  
(a) 4 (b) 3  
(c) 2 (d) 5
9. The first stage in retail life cycle is [ c ]  
(a) Decline (b) Growth  
(c) Innovation (d) Maturity
10. The last stage in retail life cycle is [ a ]  
(a) Decline (b) Growth  
(c) Innovation (d) Maturity

## *Fill in the Blanks*

1. \_\_\_\_\_ refer to those formats that have long been part of the retail landscape of India.
2. FMCG stands for \_\_\_\_\_ .
3. \_\_\_\_\_ are similar to hypermarkets but are much larger in size.
4. \_\_\_\_\_ are retail formats designed to offer various products and services.
5. \_\_\_\_\_ is a retail format wherein many number of shops are arranged in a row with a sidewalk and parking space.
6. The \_\_\_\_\_ the obligation to pay the franchisor fees for these rights.
7. The \_\_\_\_\_ is the provider of the franchise.
8. 'Franchising' can be traced back to the French word 'franchise', which means to \_\_\_\_\_ .
9. Environmental theory was proposed by \_\_\_\_\_ .
10. The concept of product life cycle as explained by \_\_\_\_\_ .

### ANSWERS

1. Traditional retail formats
2. Fast movable consumer goods
3. Super centres
4. Malls
5. Shopping strip
6. Franchisee
7. Franchisor
8. Grant powers to a peasant
9. Drawin
10. Philip Kotler

## UNIT III

### Merchandise Management :

Meaning of Merchandising, Factors influencing Merchandising, Functions of Merchandising Manager, Merchandise planning, Merchandise buying, Analyzing Merchandise performance

### 3.1 MEANING OF MERCHANDISING

**Q1. Explain the Meaning of Merchandising.**

**(OR)**

**Write about merchandizing.**

*Ans :*

The merchandising challenge of consistently having the right product in the right quantity, available at the right place, at the right time and at the right price becomes increasingly difficult as more selling and fulfilling locations are added to a distributed retail model.' Hundreds of stores, plus distribution centres fulfilling orders for multiple sales channels - including stores, e-commerce and catalog operations, increase the likelihood and magnitude of errors and sub-optimal allocations.

Achieving these 'Five Rights' is the key to successful merchandising and many a times, remains an elusive goal for most retailers. To improve service levels and decrease stock outs, inventory is increased and profitability suffers due to excessive markdowns. To reduce markdowns, inventory is reduced and profitability suffers due to lost sales. Many a times, both these situations typically occur simultaneously.

#### Definitions

- (i) According to Grace Kunz has defined merchandising as the 'planning, developing and presenting of product lines for identified target markets with regard to pricing, assorting, styling and timing'.
- (ii) Merchandising is the practice and process of displaying and selling products to customers.

Whether digital or in-store, retailers use merchandising to influence customer intent and reach their sales goals.

- (iii) Merchandise Management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation.

- Analysis because retailers must be able to correctly identify their customers before they can ascertain consumer desires and their needs/requirements to make a good buying decision.
- Planning is important because merchandise to be sold in the future must be bought now!
- Acquisition because the merchandise needs to be procured from others - either distributors or manufacturers.
- Handling involves seeing that the merchandise is where it is needed and in the proper condition to be sold.
- Control as the function of merchandising involves spending money for acquiring products, it is necessary to control the amount of money spent on buying.

The process of merchandise management includes developing strategies to ensure that the right product is bought at the right price and is available at the right place at the right time in the right amount to satisfy the needs of the target customer. No one in retail can completely avoid contact with merchandising activities. Merchandising is the day-to-day business of all retailers. As inventory is sold,

new stock needs to be purchased, displayed and sold. Hence, merchandising is often said to be the core of retail.

**Q2. What are the key elements of merchandizing?**

*Ans.:*

According to Walters and Hanrahan, (Retail Strategy, Planning & Control), the Retailer must take strategic direction in the four key elements i.e. Merchandise Strategy, Communication Strategy, Customer Service Strategy, and Format and Environment Strategy. Let us learn them in detail.

**(i) Merchandise Strategy**

A merchandise strategy is based on the concept of targeting the right people with the right merchandise at the right time at the right place. Here the right people mean the right customers the retailer wishes to target. The right place implies that the store should have sufficient floor space and an appropriate ambience. Depending on the location of the store and the inhabitants, the retailer will offer the appropriate quality and the pricing of the merchandise.

**(ii) Communication Strategy**

Effective communication is very important for a successful merchandising. It requires an effective strategy – a coherent plan of action. It should take into account the goals and objectives of Retail Firm, the features of the Products and Services and the environmental condition. The marketer makes an effort to persuade wholesale and retail channel members to stock and promote certain products. He/she tries to enforce that the consumer demands certain products or brands from retail channel members.

**(iv) Customer Strategy**

Customer satisfaction is the utmost important for a successful retail enterprise. A high-quality customer service must be provided on the reception desk itself. It requires excellent communication skills of the Retail staff. The employees must be patient while dealing with the customers. They should have excellent

listening and telephone skills. They should be able to solve and prevent problems of the customers soft skills. There should be mechanism of feedback from the customers.

**(v) Format and Environment Strategy**

Retailers are making use of customer creativity, technology and processes to develop new strategies for store format. They are focusing to delight customers by ensuring that the right products are delivered to store shelves. They are making effort in such a way that, the space is being managed well. At the same time, they should possess adequate right staff is deployed to provide an appropriate level of customer service.

From the above key elements, it is observed that Merchandise Strategy is going to be the most crucial one. This strategy will substantially influence the other three elements mentioned above. Whether it is to decide on communication or customer service or the store format and its ambience, all these three key elements will have to be taken into account. The above strategies will also facilitate to retain the loyalty of the customers.

**Q3. Explain the importance of Merchandising.**

*Ans.:*

**(i) Helps in the Attractive Display**

Merchandising helps in the attractive display of the products at the store in order to increase their sale and generate revenues for the retail store.

**(ii) Helps in the Sensible Presentation**

Merchandising helps in the sensible presentation of the products available for sale to entire the customers and make them a brand loyalist.

**(iii) Products are Displayed and Stocked on the Shelves Play**

The ways the products are displayed and stocked on the shelves play an important role in influencing the buying behavior of the individuals.

**(iv) Activities are decided by four stakeholders namely consumer, market, supplier and distributors**

Merchandising activities are decided by four stakeholders namely consumer, market, supplier and distributors. Each one of them is having their standpoint on merchandising and its benefits.

**(v) Buyers' Profile and Buyer Behavior Towards**

Merchandisers would like to know what is buyers' profile and buyer behavior towards the products or services stored in the retail outlet.

He would also like to understand the market share composition in the market and merchandising strategies adopted by the rivals.

**(vi) Distributor Perspective Discusses Moving**

The distributor perspective involves moving the final product to the consumer in the retail store.

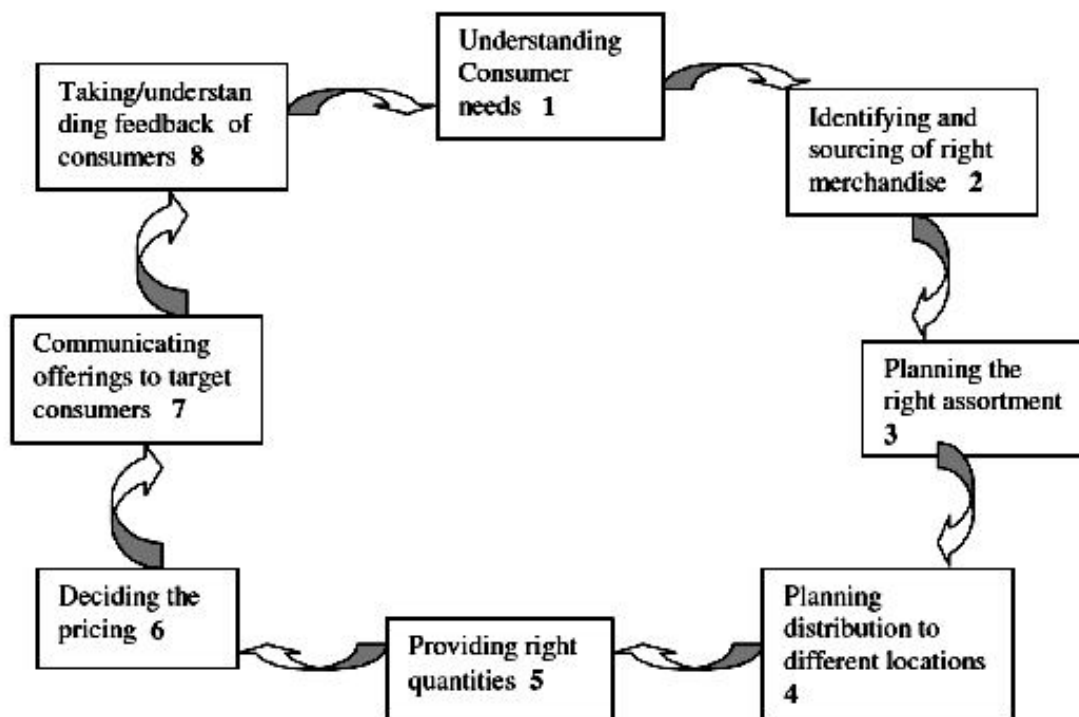
**(vii) Efficiency in Reaching the Good or service**

Finally the supplier perspective involves his or her efficiency in reaching the good or service to the store. Suppliers do assembling, fabrication and packaging if required.

**Q4. Elucidate the process of merchandizing.**

*Ans :*

The process of merchandising involves understanding consumer needs, identifying & sourcing of right merchandise, deciding the right assortment, planning distribution of merchandise to different locations in the right quantities, deciding on the pricing, communicating merchandise offerings to the target customers, and taking feedback of consumers. Look at Figure to analyse the process of merchandising.



**Fig. : Process of Merchandising**



Let us learn the steps involved in the process of merchandising. These steps are as follows:

**(i) Understanding consumer needs**

The merchandiser should understand the different ways in which the consumer presently satisfies the need. Let us assume that the consumer has need for hair care. Based on the study the merchandiser may find that there are various ways in which the need is being satisfied. These may be hair soap, oil, lotion, shampoo, cream and dye. With the help of consumer survey the method/ product which is most in demand for satisfying the need is 'shampoo'.

**(ii) Identifying and sourcing of right merchandise**

Further, the merchandiser may need to identify the right merchandise for shampoo.. For example, in shampoo the merchandiser may find that there are three variants – herbal, medicinal, and regular. The merchandiser based on the study of consumer feedback would like to know, which one is most in demand, or will help the retailer to serve the consumer needs. Suppose the merchandiser decides for 'medicinal shampoo'. For medicinal shampoo, the merchandiser needs to identify the right suppliers/sources of this type of shampoo. He /she may like to analyse the brands like Vatika, Sunsilk, Pantene, Head & Shoulder, and Palmolive which can supply the medicinal shampoo.

**(iii) Planning the right assortment**

Next the merchandiser has to decide on the different sub-categorization. The sub-categorization can be made, based on the consumer need for medicinal shampoo. The shampoo may be used to treat different kinds of hair condition i.e. dull, oily, dry, normal, straight, and curly. Thus, the merchandiser must know based on past trend, experience or survey, the right quantities to be maintained under each sub-categorization. In other words, the assortment should cover needs of different hair conditions.

**(iv) Planning distribution to different locations**

Once the assortment is cleared then the merchandiser needs to work out the quantities to be dispatched to different distribution centres. The quantity dispatched should be based on the number of outlets in each location, the minimum stocks to be maintained, turnover ratio, the replenishment time, etc. The logistics for delivery of goods should also be taken into account.

**(v) Providing right quantities**

Once the goods reach the different distribution points, the goods further needs to be sent to each of the outlets in the region. For this the retailer will take into account the consumer requirement in each of the stores based on previous sales trends or its own study of consumer needs. Thus, for each store its requirement in terms of different assortment is worked out and the goods are dispatched.

**(vi) Deciding the price**

Once the goods reach the store, the merchandiser needs to decide on the pricing of each of the products/items. Normally, the pricing is decided at the time of assortment stage itself. In case of certain retail chains the pricing may be left to the respective store managers also, The manager will work upon prices as per the guidelines from the chief merchandiser for the product category. The prices are decided based on the gross margin policy for each of the products.

**(vii) Communicating offerings to target consumers**

Once, the goods are on the floor of the shop, the merchandiser will work out the visual merchandising. He/she will communicate such strategy for the given store or group of stores. The merchandiser may provide certain props and signages to each of the store to communicate right messages and offerings to consumers. There could be advertisements in print media or TV or radio or hoardings etc., for giving mass publicity to the offerings.

**(viii) Taking/understanding feedback of consumers**

The merchandising team may decide to take feedback on different brands/items to know consumers reaction to pricing, quality, availability, display, after use effect etc. The feedback acts as a guideline for improving sourcing and assortment, so as to provide maximum satisfaction to consumers.

**Q5. Describe different types of merchandise.**

*Ans :*

There are various types of merchandise or consumer goods used by end consumers. Understanding these types will greatly help in determining the strategies that are suitable for selling each of these types. Consumer goods/merchandise fall into four subgroups as explained here below:

**I, Routine (or) Convenience Products**

The features of routine or convenience products are:

- These are routine products like daily use items – which are bought and used in a routine manner.
- These products are purchased with a little effort as possible, frequently, and in small quantities.
- These are not high priced products but generally low priced ones.
- These products are purchased for their functional purpose.
- These products are available at numerable locations in variety of outlets.

**(i) Convenience products** can be further divided into staple goods, impulse goods, and emergency goods. Let us learn them.

**(ii) Staple goods/merchandise** are purchased on a regular basis and will include most food and grocery items.

**(iii) Impulse goods** are purchased out of impulse without any prior plan before entering the store. The product itself, its display, its packaging, and price are important elements in the sale of such merchandise.

**(iv) Emergency goods** are the items or merchandise that are needed due to certain emergency or unexpected need, and needed immediately. These items may be purchased at a higher price or at whatever available price. For example, a pain reliever or a headache relieving pill.

**II. Shopping Products**

The features of shopping products are as follows:

- These are the products for which the consumer spends considerable time and effort to buy.
- Consumers are ready to shop around to compare features and prices of competing products before making a purchase.
- These are bought less frequently.
- These products are more expensive and are available at few select stores.
- These products need more of personal selling on the part of the store sales representative.
- These merchandise include TV, cars, home appliances, homes, etc.

**III. Specialty Products**

The features of specialty products are as follows:

- These products are very much important to consumers due to certain emotional associations with such products, and hence, they make special effort to find them.
- The consumers are unwilling to accept a substitute for the preferred product.

- Retailers play very important role in the sales of these products as they need to have sales representatives who have good product knowledge. They are ready to take certain extra efforts to understand the needs of its consumers.
- Thus, the marketers of these goods limit their distribution in order to ensure strong sales support at the store level.
- These include stereo equipments, large digital TV, musical instruments, some branded men's clothing.

#### IV. Unsought Goods

The features of unsought goods are as follows:

- These are the merchandise that consumers are not much aware of, and even if they are aware of have not considered buying them.
- For example, certain medical services or accident insurances, which are known to many consumers but are not sought for. Similar is the case with encyclopedias, which are known but not so much sought after.
- These goods need lot of publicity of convincing nature and good effort at personal selling level, as one generally finds with insurance selling agents.

### 3.2 FACTORS INFLUENCING MERCHANDISING

**Q6. What are the factors influencing Merchandizing?**

**(OR)**

**Explain the factors which influence merchandizing.**

*Ans.:* (Dec.-20, Dec.-19, July-19)

The following factors influence retail merchandising:

#### (i) Size of the Retail Operations

This includes issues such as how large is the retail business? What is the demographic scope

of business: local, national, or international? What is the scope of operations: direct, online with multilingual option, television, telephonic? How large is the storage space? What is the daily number of customers the business is required to serve?

#### (ii) Shopping Options

Today's customers have various shopping channels such as in-store, via electronic media such as Internet, television, or telephone, catalogue reference, to name a few. Every option demands different sets of merchandising tasks and experts.

#### (iii) Separation of Portfolios

Depending on the size of retail business, there are workforces for handling each stage of merchandising from planning, buying, and selling the product or service. The small retailers might employ a couple of persons to execute all duties of merchandising.

#### 1. Affordability

Income of the consumer will determine what type of merchandise he or she would like to purchase. People who earn more than Rs. 10,000 per month, buys branded shirts and trousers. People who earn less than Rs. 10,000, they look for private labels or stitch and wear segment. Merchandise manager should keep this affordability factors while developing the assortment plan.

#### 3. Range of Products and Services

Retail merchandisers should store different category with deep assortments. Customer now days would like to shop in one store rather than multiple store. If the retail store is not providing that facility then consumer will switch over to competitors' stores.

#### 4. Personal Factors

The culture, subculture, stage of the family life cycle and occupation of a consumer determines what type of merchandise he or she will look in the retail store.

### 3.3 FUNCTIONS OF MERCHANDISING MANAGER

**Q7. 'Merchandizing manager must be very efficient in delivering functions'. Comment.**

**(OR)**

**What are the functions of Merchandizing?**

**(OR)**

**Discuss the functions of merchandizing manager.**

**Ans. : (July-21, Dec.-20, Dec.-18)**

1. Merchandise Managers are responsible for developing and implementing the visual strategy for displaying products.
2. To create planograms, performing floor moves and delegating tasks to sales employees.
3. Lead the merchandising team.
4. Coordinate and communicate with suppliers.
5. Participate in budgeting, setting and meeting sales goals.
6. Prepare training and job orientation programs for all new merchants.
7. Merchandise Managers keep track of their employer's inventory supply.
8. Processing of purchase orders
9. Analysis of data & sales budgeting.
10. Merchandising strategy and planning.
11. Achieving sales and margins
12. Monitor retail price for competitors and maintain appropriate pricing for products.
13. Approve any price changes, check prices with long range plans.
14. Approves ideas for sales events and promotions.
15. Coordinate with various departments and monitor various store setups.

16. Develop and execute various store rotation schedule for appropriate region
17. Manage and validate model store program for assign area.
18. Develop productivity targets for organization & evaluate performance of all employees.
19. Supervise and ensure effectiveness of all merchant activities
20. Ensure the merchandising process is smooth and timely.
21. Manage multiple projects, monitor and allocate appropriate resources to various accounts.
22. Monitor and apply various merchandising methods and ensure increase in productivity.
23. Supervise everyday operations and monitor progress of each project.
24. Ensure efficient coordination with employees and organize workflow.
25. Maintain a safe working environment.
26. Provide reports to store manager at closing of shift.
27. Critical path analyzes and met with the buyer
28. Send document for issue inspection certificate.
29. Reporting to the high authority in need basis.
30. Time to time reporting to the head of the department.

### 3.4 MERCHANDISE PLANNING

**Q8. Define Merchandise planning. Explain the need for Merchandise planning.**

**Ans. :**

#### Meaning

Merchandise planning is the most crucial process, and thus, what to carry and how much to carry become very significant questions. For deciding on what to carry becomes part of the strategic questions that retailers need to answer before

venturing into the retail business. Whereas, how much to carry, and of what value, become part of the store operation process, and needs to be handled in a well-planned manner.

The merchandise planning is crucial because either over procurement of merchandise or under procurement both affects the profitability of the business and consequently the return on investment. To a great extent the degree and quality of merchandise planning process determine the success or failure of the merchandising department within the store operation.

### Need

Merchandise plan is helpful in deciding the following:

- (i) What stocks need to be maintained at the end of the month and beginning of the month for a given period;
- (ii) What percentage reductions to be considered while planning the targeted sales;
- (iii) What quantities to be purchased to meet the various month's targeted sales plan;
- (iv) What is the budgeted amount required to purchase the goods for meeting the sales and stock requirement for a given period;

The whole plan helps us to determine the kind of cash-flow required to meet the sales commitment well in advance so that fund planning could be made. More importantly it helps to determine the changes in stocks and thereby changes in purchase required, if the sales for a given period either show an increase or decrease.

It is necessary for a category manager or store manager to know what is going to be his commitment of funds during the given period and what strategies to be used to ensure better sales and thereby better turnover of stocks. This helps to achieve an improved sales to stock ratio or at least the one planned for the given period for a particular product-category in order to achieve the profitability goal.

### Q9. Explain the implications of Merchandise Planning.

*Ans :*

The primary objective of merchandise planning is profit improvement. As the buyer plans the buying for each department, a better overview is available, of the profitability that the retail organisation will be able to achieve. As the function of merchandising deals with the actual procurement of products for the retailer, it has implications on other areas of the business.

The entire process of merchandise planning helps the buyer arrive at the quantities of the products that need to be bought. It therefore, has the following implications on other departments:

#### 1. Finance

At the end of the merchandise planning process, when the Purchase Order (PO) is raised on a particular supplier, the finance department needs to be informed about it as they are finally the ones who will be making the payments. Finance will also look into the evaluation of the profitability of the merchandise purchased by the buyer.

#### 2. Marketing

The marketing department needs to be aware of the products that are being purchased, as they may want to create campaigns for advertising the products or for sales promotions.

#### 3. Warehousing and Logistics

In many retail organisations, these functions may be handled by one department. When orders are placed for new merchandise, this department needs to know as it is the one that will actually receive the products and do the physical verification of the same. The quantities mentioned in the Purchase Order need to be tallied with the quantities actually received. Any discrepancies have to be informed to the accounts department and to

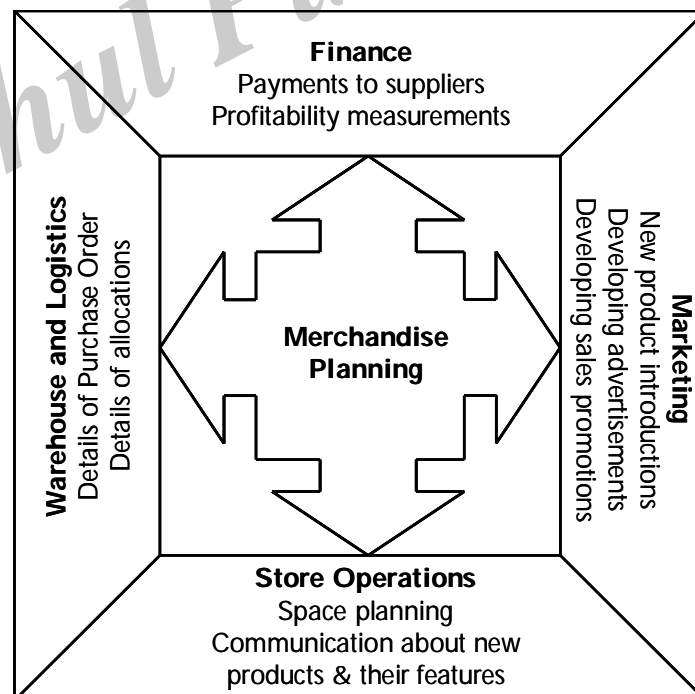
the merchandiser who has placed the order. This department also needs to know the dispatch details of various products that are received, i.e., it needs to know the quantities, sizes, colours, etc. of products to be sent to various stores.

#### 4. Store Operations

The information on the merchandise being purchased needs to be communicated to the retail stores. In case the product is a new product, the features also need to be communicated. Information on merchandise to be received in the stores also helps in space planning in the retail store. In case the store has the authority to make purchases at a local level, it would help by ensuring that duplication of products does not happen.

The implications of the merchandise planning process are illustrated in Figure.

The person who is to take the buying decisions for a retail organisation, must be aware of the consumer needs and wants. An understanding of the consumer buying process is necessary. Apart from this, a clear understanding of what products are actually selling and where, is also necessary. Information on this can be obtained from sales records. An interaction with the sales staff is also needed, as they can offer valuable insights into why a particular product is selling or not selling. External sources of information like surveys conducted, magazine and trade publications and trade associations are other sources of information. The information thus gathered needs to be analysed. This analysis forms the basis of the sales forecast, which is the first stage in merchandise planning.



**Fig. : The Implications of Merchandise Planning**

**Q10. Outline the steps involved in Merchandise Planning.****(OR)****Demonstrate the steps of merchandise planning process.***Ans.:***(July-21)**

Planning can be multi-dimensional. The first dimension to be considered is the time span or the time hierarchy. This could start with the forecast for the year and then go down to the season, quarter, month, week and at times, even a transactional level. The second level of planning would be at the locational level, where the plan would first be created for all existing and new stores, then perhaps at the regional level, and then, it would move towards clustering of similar stores. This would be followed by planning for individual stores. Similarly, the third dimension of planning would be at the merchandise hierarchy level, starting with the overall department level and then finally, coming down to the Stock Keeping Unit level. Let us now consider the process of merchandise planning starting with the first step, which is developing a sales forecast.

**Stage I: Developing the Sales Forecast**

In the words of Peter Druker, 'the trick to anticipating the future is not to determine what is likely to happen but what has already happened that will create the future.' Forecasting involves predicting what the consumer may do under a given set of conditions. A sales forecast may be made by the merchandiser based on the targets given by the top management or may be handed down by the top management itself, depending on the retail organisation. A sales forecast is the first step in determining the inventory needs of the product or category.

Forecasts are typically developed to answer the following questions:

- How much of each product will need to be purchased?
- Should new products be added to the merchandise assortment?

- What price should be charged for the product?

A sales forecast is usually made for a specific period of time, this may be weeks or a season or a year. A forecast may be for a short term i.e., up to one year, or for a long term i.e., for a period of more than a year. The person who is to make the forecast for the product group or category needs to be aware of the changes in tastes and attitudes of the consumers, the size of the target market and the changes in their spending patterns.

The process of developing sales forecasts involves the following steps:

**1. Reviewing Past Sales**

A review of the past sales records is necessary to establish if there is any pattern or trend in the sales figures. A look at the sales figures of the past year for the same period would give an indication of the sales in the current year, given that the conditions are constant.

**2. Analysing the Changes in the Economic Conditions**

It is necessary to take into account the changes happening at the economic front as this has a direct link to the consumer spending patterns. Economic slowdowns, increase in unemployment levels, etc., all affect business.

**3. Analysing the Changes in the Sales Potential**

It is now necessary to relate the demographic changes in the market to that of the store and the products to be sold.

**4. Analysing the Changes in the Marketing Strategies of the Retail Organisation and the Competition**

While creating the sales forecast, it is necessary to take into consideration the marketing strategy to be adopted by the organisation and the competition. Is there a new line of merchandise to be introduced, a new store to be opened or an existing store to be remodeled? All these factors need to be taken into consideration.

## 5. Creating the Sales Forecast

After taking into consideration the above-mentioned points, an estimate of the projected increase in sales is arrived at. This is then applied to the various products/categories to arrive at the projected sales figures.

## Stage II : Determining The Merchandise Requirements

Planning is essential to provide direction and serve as a basis of control for any merchandise department. In order to be able to provide the right goods to the consumer at the right place and time, one needs to plan a course of action.

Planning in merchandising is at two levels.

- (i) The creation of the Merchandise Budget, and
- (ii) The Assortment Plan.

There are two methods of developing a merchandise plan. They are top down planning and bottom up planning. In top down planning, the top management works on the sales plan and this is passed down to the merchandising team. On the other hand, in bottom up planning, individual department managers work on the estimated sales projections. These are then added up to arrive at the total sales figures.

After the sales forecasting exercise has been completed, inventory levels need to be planned. The merchandise budget is the first stage in the planning of merchandise. It is a financial plan, which gives an indication of how much to invest in product inventories, stated in monetary terms.

## 1. The Merchandise Budget usually comprises of five parts:

- (a) The sales plan, i.e., how much of each product needs to be sold; this may be department wise, division wise or store wise.
- (b) The stock support plan, which tells us how much inventory or stock is needed to achieve those sales.

- (c) The planned reductions, which may need to be made in case the product does not sell.
- (d) The planned purchase levels, i.e., the quantity of each product that needs to be procure front the market.
- (e) The gross margins (the difference between sales and cost of goods sold that the department division or store contributes to the overall profitability of the company).

## 2. Assortment

The selection of merchandise carried by a retailer is referred to as the assortment. It includes both the breadth of product categories and the variety within each category.

### (a) Variety of Merchandise

The variety of the merchandise mix refers to the number of different lines that the retailer stocks in the store. For example, a department store may provide a collection in men's, women's and children's wear and home. This would then be termed as the variety offered by the store.

### (b) Width of Assortment

Number of distinct goods/service categories (product lines) a retailer carries. Width of merchandise may also be referred to as Breadth of merchandise and it refers to the number of merchandise brands in the merchandise line. For example, a retailer stocking various brands of men's shirts, etc.

### (c) Depth of Assortment

The variety in any one goods/service category (product line) with which a retailer is involved. It refers to the average number of SKU's within each brand of the merchandise line. For example, if a retailer decides to stock 10 designs of



shirts in five different sizes and four colours, then it would be the depth of the assortment

### Sage III: Merchandise Control - The Open To Buy

The purpose of the concept of Open to Buy is twofold. First, depending on the sales for the month and the reductions, the merchandise buying can be adjusted. Secondly, the planned relation between the stock and sales can be maintained. When used effectively, open to buy ensures that the buyer -

- (i) Limits overbuying and under buying
- (ii) Prevents loss of sales due to unavailability of the required stock
- (iii) Maintains purchases within the budgeted limits
- (iv) Reduces markdowns which may arise due to excess buying

When planning for any given month, the buyer will not be able to purchase the amount equal to the planned stocks for that month. This is because there may be some inventory already on hand or on order but not yet delivered.

### Calculating the Open-to-Buy

The open-to-buy amount available to a buyer is calculated using the simple formula stated below:

$$\text{Open-to-Buy} = \text{Planned EOM Stock} - \text{Projected EOM Stock}$$

Open to Buy is always calculated for current and future periods. Continuing further with the same example that we took for calculating the Six Month Merchandise Budget, we would arrive at the open to buy for various months in the following manner.

### Stage IV: Assortment Planning

Assortment planning is both extremely important and challenging for retailers. The term 'assortment' can be defined as 'the combination of all products made available in a store' and 'a set of products offered within a product category'. These products form a set because they share similar physical characteristics.

Assortment Planning involves determining the quantities of each product that will be purchased to fit into the overall merchandise plan. Details of colour, size, brand, materials, etc., have to be specified. The main purpose of creating an assortment plan is to create a balanced assortment of merchandise for the customer.

Various factors affect the assortment planning process. The first among these factors is the type of merchandise that is to be stocked in the retail store. Merchandise may be classified as basic or staple merchandise, fashion, convenience or specialty goods.

Buying staple merchandise is relatively easier as it can be easily done by analysing past sales records. Seasonal staples are those products which are in demand only at a particular time of the year, every year. For example, decorative days sold during the Diwali season in India, or decorative ornaments of the Christmas tree before Christmas or umbrellas and raincoats/rainy shoes in the rainy season.

The retailer's policies with respect to the type of brands stocked and the level of exclusivity to be maintained in the store also affect the merchandise buying decisions. Thus, after arriving at the amount of money available to invest in inventory, a merchandiser would have to determine the variety of merchandise.

### Q11. Explain in detail retail merchandising as an essential part of store planning.

*Ans :* (Dec.-19)

1. The seniors of retail merchandising have to provide training to the junior retail merchandiser so that he may know how to work in retail merchandising.
2. If the products are damaged or expired, it is the responsibility of retail merchandiser to solve the issue and exchange the goods.
3. Retail merchandising sometimes use the strategy of packaging, because customers are attracted by seeing good packaging of a product. It also helps in increasing the sales.

For example, if the customer have to gift chocolates to someone. He would purchase the Cadbury celebrations instead of purchasing different chocolates.

4. It provides various discounts and offers on the products so that customers may buy from them .For example, Dmart provides various offers on the products which encourages the customers to buy from Dmart.
5. It helps to plan a store which is neat and clean with complete hygiene conditions. Because a store with cleanliness and ease to find the product, attracts the customers.

### 3.5 MERCHANDISE BUYING

**Q12. Explain the concept of merchandize buying.**

*Ans :*

Buying for a retail organization is a critical function of merchandising. The process begins with the preparation of the buying plan, called 'Open To Buy' or OTB. It helps retailers project and control future buying so that the flow of merchandise in the store matches anticipated sales at desired stock turn rates to give a positive cash flow.

For organized buying one needs to follow the OTB planning, since it prevents over-buying, eliminates confusion and enables the organization to make more profits.

OTB refers to merchandise budgeted for purchase during a certain period of time for which the stocks have not yet been ordered. It is also the process of forecasting sales and purchases. OTB is a planning tool that assists in setting budgets for sales and merchandise inventory levels and in monitoring the current status of the OTB amount, which is the amount remaining to be ordered to meet the budget.

Every retailer needs to use an OTB plan, as most tend to overstock when sales increase and understock when they are low. Often a small increase in sales leads to excessive buying that ultimately affects the retail organization's bottom line. OTB helps

a retailer fix the ideal amount of stock that should be on hand at the beginning of any given month and the quantum of new merchandise to be received during the month.

An efficient OTB plan has the following elements:

**(a) Forward Sales Planning (Sales Forecast)**

The sales plan ought to be prepared for the entire year with month-wise details of planned sales. A good OTB plan helps one to react to variations in sales plans (as the current month comes to an end), reschedule deliveries and cancel or alter purchase orders for future deliveries, as the case may be.

**(b) Forward Cover**

This is based on the planned stock turns for the retail outfit. For instance, if the planned stock turns for the store is four times in a year, then the ideal stock holding at any point in time should be equivalent to three months' stock cover.

**(c) Stock Required**

This is based on the forward cover planned for the store. If the forward cover is for three months and the current month is month 1, then the stock required will be the sum of the planned/ forecast sales of months 2, 3 and 4.

**(d) Opening Stock**

The value of the opening stock is a flow calculation. In OTB planning, the first entry is an estimate. From the second month onwards, the opening stock is the closing stock figure of the previous month.

**(e) Intake Requirement**

This is the difference between the required stock and the opening stock.

**(f) On Order**

These are stocks that have been already ordered and due for delivery during the relevant period.

**(g) Open to Receive**

This figure is arrived at by deducting the stock on order, if any, from the intake requirement. This figure indicates the OTB quantity.

**(h) Closing Stock**

To arrive at this figure, one needs to take the opening stock, subtract the sales, and add the on-order and open-to-receive quantities.

**Q13. What are the advantages of open to buying OTB?**

*Ans :*

- (i) The OTB plan enables retailers to estimate in advance the amount of working capital that needs to be employed in inventory from month to month.
- (ii) It helps ensure the right inventory level to support planned sales and to attain the best Gross Margin Return on Inventory (GMROI).
- (iii) The OTB plan places restraints on merchandise commitments so that the store receives the right merchandise at the right time and not before or after.
- (iv) It enables a continuous flow of fresh merchandise into the store month after month during the season.
- (v) The OTB plan establishes goals so that the actual performance can be compared with the plan and corrective action taken in the required areas.

**3.6 ANALYZING MERCHANDISE PERFORMANCE****Q14. Explain the methods of merchandizing performance appraisal.**

*Ans :*

(Dec.-18)

Measuring the performance of merchandise is necessary in order to gain an understanding of the products which have performed well and which have not performed as per the target. The performance can be as per plan, below the plan or above the plan.

Inventory turnover, which may also be called inventory or merchandise stock turn or just turnover, is a key to merchandise performance. Inventory turnover measures how long inventory is on hand before it is sold. Items that are on hand a short time have a high turnover, those that are on hand longer have a low turnover.

Retailers calculate inventory turnover in several ways:

- (i) Net sales/average inventory at retail
- (ii) Cost of merchandise sold/average inventory at cost
- (iii) Units sold/average units in inventory
- (iv)  $\text{Net sales} = \text{turnover} \times \text{average inventory at retail}$
- (v)  $\text{Average inventory at retail} = \text{net sales} / \text{turnover}$

Turnover is a key to high performance, which means profits in retailing. However, higher turnover will not indefinitely increase profits, and the lowest turnover will not necessarily result in the lowest profits.

Rapid turnover enables the retailer to reduce certain expenses. Lower inventories will obviously require less capital, and thus the retailer's interest expense will be lower. Also associated with lower inventories will be lower levels of insurance coverage required, lower inventory taxes on year-end inventories, and lower cost of space to store the inventory. On the other hand, rapid turnover can increase expense. With similar average inventories on hand, the retailer must order more frequently and in smaller quantities, resulting in higher clerical costs, lost quantity discounts and higher transportation rates.

Success in retail can be measured by the amount of profit generated in relation to the working capital invested i.e., the return on investment. Certain costs in any business are fixed, or at least are not easily flexed. Shop rents and head office costs fall into this category. Merchandise margins and product mix, however, are variable, and their management can either enhance or destroy profitability.

Many retailers use the performance indicators of gross margin % (after markdown) and weeks cover to measure performance. These are very commonly available, but used in isolation from each other, they are of limited value. Gross margin % gives us a measure of relative profitability without taking into account the costs of stockholding investment. Weeks cover tells us how effectively we turned our stock without informing us about relative profitability.

There are three methods of analysing merchandising performance:

1. ABC analysis
2. Sell through analysis
3. Multiple Attribute method

### 1. ABC Analysis: Pareto (ABC) Analysis (a.k.a. 80/20 Rule)

ABC analysis rank orders merchandise by some performance measure to determine which items should never be out of stock, which items should occasionally be allowed to be out of stock and which items should be deleted from the stock selection. An ABC analysis can be done at any level of merchandise classification from SKU to department.

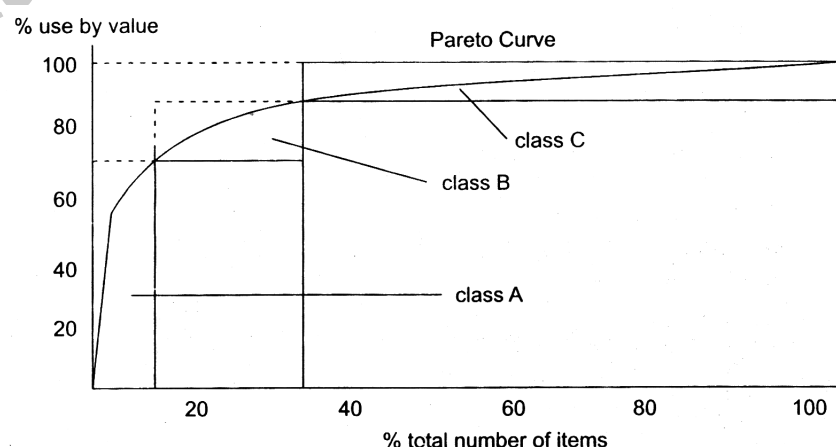
ABC analysis utilises the 80 : 20 principle, which implies that 80% of the sales come from 20% of the products. The first step in the ABC analysis is to rank order SKU's, using one or more criteria. The most important performance measure for this type of analysis is

#### Contribution Margin

Contribution margin = Net sales – Cost of goods sold – Other variable expenses

Other variable expenses can include sales commissions, sales or sales per square foot, gross margin or GMROI.

The next step is to determine how items with different levels of profit or volume should be treated differently. The buyer may define as A those that account for 5% of items and represent 70% of sales. B items represent 10% and 20% of sales. C items account for 65% of the SKU's but contribute only 10% of sales and D as those items for which there were no sales in the past season.



### 2. Sell Through Analysis

A sell through analysis is a comparison between actual and planned sales to determine whether early markdowns are required or whether more merchandise is needed to satisfy demand. There is no rule

which can determine when a mark down is necessary. It depends on experience with the merchandise in the past, whether the merchandise is scheduled to be featured in advertising or whether the vendor can reduce the buyers risk by providing markdown money, etc.

If actual sales stay significantly ahead of planned sales, a reorder should be made.

### 3. Multiple Attribute Method

This method uses a weighted average score for each vendor. The following steps are followed:

- (a) Develop a list of issues to consider for decision-making, like vendor reputation, service, merchandise quality, selling history, etc.
- (b) Give importance weights to each attribute.
- (c) Make judgments about each individual brand's performance on each issue.
- (d) Combine the importance and performance scores.
- (e) Add all to arrive at the brand scores.

---

#### Q15. How do you check and correct the merchandising performance.

*Ans :*

(July-19)

1. In order to correct the merchandising performance challenges, the retailer need to organize the store shelves and make them more appealing to the target customers.
2. Tools such as built in photo reports and bar code products search can be employed to reduce the various challenges related to merchandising performance.
3. The retailer can use merchandising softwares to ensure the smooth merchandising performance.
4. These softwares can be used for drafting check sheets, task sheets, MSL (Mist Stock List), etc., which would make the merchandising performance effective and efficient.

## Short Question and Answers

### 1. Merchandizing.

*Ans :*

#### Definitions

- (i) According to Grace Kunz has defined merchandising as the 'planning, developing and presenting of product lines for identified target markets with regard to pricing, assorting, styling and timing'.
- (ii) Merchandising is the practice and process of displaying and selling products to customers. Whether digital or in-store, retailers use merchandising to influence customer intent and reach their sales goals.
- (iii) Merchandise Management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation.
  - Analysis because retailers must be able to correctly identify their customers before they can ascertain consumer desires and their needs/requirements to make a good buying decision.
  - Planning is important because merchandise to be sold in the future must be bought now!
  - Acquisition because the merchandise needs to be procured from others - either distributors or manufacturers.
  - Handling involves seeing that the merchandise is where it is needed and in the proper condition to be sold.
  - Control as the function of merchandising involves spending money for acquiring products, it is necessary to control the amount of money spent on buying.

### 2. Merchandise Strategy

*Ans :*

A merchandise strategy is based on the concept of targeting the right people with the right merchandise at the right time at the right place. Here the right people mean the right customers the retailer wishes to target. The right place implies that the store should have sufficient floor space and an appropriate ambience. Depending on the location of the store and the inhabitants, the retailer will offer the appropriate quality and the pricing of the merchandise.

### 3. Specialty Products.

*Ans :*

The features of specialty products are as follows:

- These products are very much important to consumers due to certain emotional associations with such products, and hence, they make special effort to find them.
- The consumers are unwilling to accept a substitute for the preferred product.
- Retailers play very important role in the sales of these products as they need to have sales representatives who have good product knowledge. They are ready to take certain extra efforts to understand the needs of its consumers.
- Thus, the marketers of these goods limit their distribution in order to ensure strong sales support at the store level.
- These include stereo equipments, large digital TV, musical instruments, some branded men's clothing.

**4. Define Merchandise planning.**

*Ans :*

**Meaning**

Merchandise planning is the most crucial process, and thus, what to carry and how much to carry become very significant questions. For deciding on what to carry becomes part of the strategic questions that retailers need to answer before venturing into the retail business. Whereas, how much to carry, and of what value, become part of the store operation process, and needs to be handled in a well-planned manner.

The merchandise planning is crucial because either over procurement of merchandise or under procurement both affects the profitability of the business and consequently the return on investment. To a great extent the degree and quality of merchandise planning process determine the success or failure of the merchandising department within the store operation.

**5. Warehousing and Logistics.**

*Ans :*

In many retail organisations, these functions may be handled by one department. When orders are placed for new merchandise, this department needs to know as it is the one that will actually receive the products and do the physical verification of the same. The quantities mentioned in the Purchase Order need to be tallied with the quantities actually received. Any discrepancies have to be informed to the accounts department and to the merchandiser who has placed the order. This department also needs to know the dispatch details of various products that are received, i.e., it needs to know the quantities, sizes, colours, etc. of products to be sent to various stores.

**6. Merchandise Control.**

*Ans :*

The purpose of the concept of Open to Buy is twofold. First, depending on the sales for the month and the reductions, the merchandise buying can be adjusted. Secondly, the planned relation

between the stock and sales can be maintained. When used effectively, open to buy ensures that the buyer -

- (i) Limits overbuying and under buying
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When planning for any given month, the buyer will not be able to purchase the amount equal to the planned stocks for that month. This is because there may be some inventory already on hand or on order but not yet delivered.

**7. merchandize buying.**

*Ans :*

Buying for a retail organization is a critical function of merchandising. The process begins with the preparation of the buying plan, called 'Open To Buy' or OTB. It helps retailers project and control future buying so that the flow of merchandise in the store matches anticipated sales at desired stock turn rates to give a positive cash flow.

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that should be on hand at the beginning of any given month and the quantum of new merchandise to be received during the month.

### 8. ABC Analysis.

*Ans :*

ABC analysis rank orders merchandise by some performance measure to determine which items should never be out of stock, which items should occasionally be allowed to be out of stock and which items should be deleted from the stock selection. An ABC analysis can be done at any level of merchandise classification from SKU to department.

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Other variable expenses can include sales commissions, sales or sales per square foot, gross margin or GMROI.

The next step is to determine how items with different levels of profit or volume should be treated differently. The buyer may define as A those that account for 5% of items and represent 70% of sales. B items represent 10% and 20% of sales. C items account for 65% of the SKU's but contribute only 10% of sales and D as those items for which there were no sales in the past season.

### 9. Merchandising Mix

*Ans :*

Merchandising or merchandise mix refers to the various kinds of products offered by a retail store in order to attract customers and increase profits. Stores like walmart, Best price, Metor, Big Bazaar etc., are some examples which had wide variety of merchandise mix stores like mobile shops, shoe stores etc., would have variety of similar brands or products. Therefore, the store which provide only one product classification will be considered as a store with 'Narrow Merchandise Mix'. Whereas the store which have wide variety of products with different pattern, designs, and sizes is considered as a store with Wide Merchandise Mix. Moreover, the concept of merchandise mix also help the retailers to provide product definition in order to meet the expected need of customers.

### 10. Profix planning .

*Ans :*

Profit planning is a vital part of any business plan structure for a small or medium business.

The goals of small business owners include ensuring that the business makes profits year-over-year, and that it is sustained over a period of time for growth.

The business plan includes a forecast that tries to anticipate the business growth and determine the revenue that could be generated in that particular year. Here's a look at the basics of profit planning for your business:

#### 1. Evaluate your business operations

Profit planning and forecasting enables a comparison between projected costs and spends, and the actual costs that your business is incurring.



This can help your team decide on improving cost efficiency and closing up the gaps. It also enables better decision-making like which resources to invest in or cut costs from.

Proper profit planning will ensure that the business does not spend more than is necessary or end up not investing enough in resources that are required.

## **2. Forecast marketing strategies**

Marketing is one of the highest areas of expense for small businesses because marketing efforts are directly related to getting leads for the business.

## **3. Anticipate financial planning**

Planning funds to allocate across departments and procedures needs to begin well in advance. Profit planning anticipates the company's financial ability to make the maximum use of resources, with efficiency in costs and finally high profit-making potential.

## **4. Carve out hiring requirements**

After the entire financial projection is made and the business plan structure is ready, the company needs to evaluate if they have enough staff to carry out all the operations.

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## **11. LIFO - FIFO**

*Ans :*

### **FIFO**

The meaning of FIFO is "First In First Out", which means all the goods which were added first in the inventory will be sold first. Therefore, the goods will go out of the inventory in the same order they were first added to the stock.

The cost of all sold inventory will be equal to the total cost of oldest inventory of the stock and inventory sold on the "Profit Loss Statement" will be equal to the oldest inventory present in the stock.

### **LIFO**

The meaning of LIFO is "Last In First Out", which means that all the goods which were added last to the inventory will be sold first. Therefore, all goods will leave the inventory in the opposite order as they have entered it. therefore, the cost of all the latest goods will be taken into consideration whenever inventory will be reported sold.

The Profit Loss statement will include the cost of latest added goods in the inventory and on the other hand, a Balance Sheet will include the cost of all the goods which are still in the stock which is equal to the oldest goods of the stock.

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## **12. Importance of Merchandising.**

*Ans :*

### **(i) Helps in the Attractive Display**

Merchandising helps in the attractive display of the products at the store in order to increase their sale and generate revenues for the retail store.

### **(ii) Helps in the Sensible Presentation**

Merchandising helps in the sensible presentation of the products available for sale to entire the customers and make them a brand loyalist.

**(iii) Products are Displayed and Stocked on the Shelves Play**

The ways the products are displayed and stocked on the shelves play an important role in influencing the buying behavior of the individuals.

**(iv) Activities are decided by four stakeholders namely consumer, market, supplier and distributors**

Merchandising activities are decided by four stakeholders namely consumer, market, supplier and distributors. Each one of them is having their standpoint on merchandising and its benefits.

**(v) Buyers' Profile and Buyer Behavior Towards**

Merchandisers would like to know what is buyers' profile and buyer behavior towards the products or services stored in the retail outlet.

He would also like to understand the market share composition in the market and merchandising strategies adopted by the rivals.

**(vi) Distributor Perspective Discusses Moving**

The distributor perspective involves moving the final product to the consumer in the retail store.

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**13. Convenience Products**

*Ans :*

The features of routine or convenience products are:

- These are routine products like daily use items – which are bought and used in a routine manner.
- These products are purchased with a little effort as possible, frequently, and in small quantities.
- These are not high priced products but generally low priced ones.
- These products are purchased for their functional purpose.
- These products are available at numerable locations in variety of outlets.

**(i) Convenience products** can be further divided into staple goods, impulse goods, and emergency goods. Let us learn them.

**(ii) Staple goods/merchandise** are purchased on a regular basis and will include most food and grocery items.

**(iii) Impulse goods** are purchased out of impulse without any prior plan before entering the store. The product itself, its display, its packaging, and price are important elements in the sale of such merchandise.

**(iv) Emergency goods** are the items or merchandise that are needed due to certain emergency or unexpected need, and needed immediately. These items may be purchased at a higher price or at whatever available price. For example, a pain reliever or a headache relieving pill.

**14. Functions of merchandizing manager.**

*Ans :*

1. Merchandise Managers are responsible for developing and implementing the visual strategy for displaying products.
  2. To create planograms, performing floor moves and delegating tasks to sales employees. 3. Lead the merchandising team.
  4. Coordinate and communicate with suppliers.
  5. Participate in budgeting, setting and meeting sales goals.
  6. Prepare training and job orientation programs for all new merchants.
  7. Merchandise Managers keep track of their employer's inventory supply.
  8. Processing of purchase orders
  9. Analysis of data & sales budgeting.
  10. Merchandising strategy and planning.
  11. Achieving sales and margins
- 

**15. What are the advantages of open to buying OTB?**

*Ans :*

- (i) The OTB plan enables retailers to estimate in advance the amount of working capital that needs to be employed in inventory from month to month.
  - (ii) It helps ensure the right inventory level to support planned sales and to attain the best Gross Margin Return on Inventory (GMROI).
  - (iii) The OTB plan places restraints on merchandise commitments so that the store receives the right merchandise at the right time and not before or after.
  - (iv) It enables a continuous flow of fresh merchandise into the store month after month during the season.
  - (v) The OTB plan establishes goals so that the actual performance can be compared with the plan and corrective action taken in the required areas.
- 

**16. Sell Through Analysis**

*Ans :*

A sell through analysis is a comparison between actual and planned sales to determine whether early markdowns are required or whether more merchandise is needed to satisfy demand. There is no rule which can determine when a mark down is necessary. It depends on experience with the merchandise

in the past, whether the merchandise is scheduled to be featured in advertising or whether the vendor can reduce the buyers risk by providing markdown money, etc.

If actual sales stay significantly ahead of planned sales, a reorder should be made.

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**17. Multiple Attribute Method**

*Ans :*

This method uses a weighted average score for each vendor. The following steps are followed:

- (a) Develop a list of issues to consider for decision-making, like vendor reputation, service, merchandise quality, selling history, etc.
- (b) Give importance weights to each attribute.
- (c) Make judgments about each individual brand's performance on each issue.
- (d) Combine the importance and performance scores.
- (e) Add all to arrive at the brand scores.

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## Choose the Correct Answers

1. What is the fundamental difference between buying and merchandising? [ a ]
  - (a) Buying includes product purchases but not their sale, while merchandising includes the broad range of activities involved in buying and selling goods and services
  - (b) Buying responsibility is in the main store, while responsibility for merchandising is in the branches.
  - (c) Buying responsibility is a line function, while merchandising responsibility is a staff function.
  - (d) Buying responsibility is a staff function, while merchandising is a line function.
2. A major advantage of a merchandising philosophy is that [ a ]
  - (a) Responsibility and authority are clear
  - (b) Morale of in-store personnel increases
  - (c) It fosters the development of specialists
  - (d) It recognizes that buyers may not be effective supervisors
3. The same personnel handle both merchandising and other retail tasks in which buying organizations? [ c ]
  - (a) Centralized
  - (b) Decentralized
  - (c) Informal
  - (d) Formal
4. Which of the following is not an advantage of a formal buying organization? [ c ]
  - (a) Well-defined responsibilities
  - (b) The use of full-time specialized merchandisers
  - (c) Low costs
  - (d) Well - defined authority
5. Items such as milk, bread and canned soup are examples of [ a ]
  - (a) Staple merchandise
  - (b) Fashion merchandise
  - (c) Seasonal merchandise
  - (d) Fads
6. Products that have cyclical sales due to changing tastes and lifestyles are [ a ]
  - (a) Assortment merchandise
  - (b) Fashion merchandise
  - (c) Fad merchandise
  - (d) Nostalgic merchandise
7. A high level of sales is generated for a relatively short time with [ b ]
  - (a) Seasonal merchandise
  - (b) Fad merchandise
  - (c) Fashion merchandise
  - (d) Nostalgic merchandise
8. The number of distinct goods/service categories a retailer carries is referred to as the [ d ]
  - (a) Consistency of the product mix
  - (b) Product life cycle
  - (c) Depth of assortment
  - (d) Width of assortment

9. Which brands receive secondary shelf locations, have little or no promotional support, and are stocked in limited assortments [ a ]
- (a) Manufactured brands (b) Private brands  
(c) Generic brands (d) Cooperative labels
10. Products are arranged into strategic business units to better meet consumer needs and to achieve sales and profit goals in [ a ]
- (a) Category management (b) Direct product profitability  
(c) Retail auditing (d) Merchandising
11. Which of the following measures is similar to inventory turnover? [ b ]
- (a) Cash flow  
(b) Gross margin return on inventory (GMROI)  
(c) Day's supply  
(d) Direct product profitability (DPP)
12. An item's gross profit less its direct retailing costs equals its. [ d ]
- (a) Gross margin  
(b) Gross margin return on inventory (GMROI)  
(c) Net profit  
(d) Direct product profitability (DPP)

## *Fill in the Blanks*

1. \_\_\_\_\_ can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation.
2. \_\_\_\_\_ involves seeing that the merchandise is where it is needed and in the proper condition to be sold.
3. \_\_\_\_\_ helps in the attractive display of the products at the store in order to increase their sale.
4. The \_\_\_\_\_ perspective involves moving the final product to the consumer in the retail store.
5. \_\_\_\_\_ goods are usually inexpensive and have a low opportunity cost for customers.
6. The primary objective of merchandise planning is \_\_\_\_\_.
7. \_\_\_\_\_ is essential to provide direction and serve as a basis of control for any merchandise department.
8. The variety of the \_\_\_\_\_ refers to the number of different lines that the retailer stocks in the store.
9.  $\text{Open-to-Buy} = \text{Planned EOM Stock} - \text{_____}$
10. \_\_\_\_\_ is always calculated for current and future periods.
11. \_\_\_\_\_ involves determining the quantities of each product that will be purchased to fit into the overall merchandise plan.

### ANSWERS

1. Merchandise Management
2. Handling
3. Merchandising
4. distributor
5. Convenience
6. profit improvement
7. Planning
8. merchandise mix
9. Projected EOM Stock
10. Open to Buy
11. Assortment Planning

## UNIT IV

### Retail Store Design :

Store layout, significance of Store layout, types of store layout, layout selection- Chief Considerations, Need and Importance of Store Environment, Visual Merchandising, Promotions Strategy, Retail Communication Mix and POP Displays.

#### 4.1 RETAIL STORE DESIGN

**Q1. Discuss about store design and its objectives.**

*Ans.:*

##### Meaning

Retail store design is a well-thought-out strategy to set up a store in a certain way to optimize space and sales. The way a store is set up can help establish brand identity as well as serve a practical purpose, such as protecting against shoplifting.

Retail store design is a branch of marketing and considered part of the overall brand of the store. Retail store design factors into window displays, furnishings, lighting, flooring, music and store layout to create a brand or specific appeal.

The design of the retail stores has to strive to produce an efficient layout with the qualities of ambience which will attract the right customers or target market. Few of the factors which can facilitate this are:

1. **Using of space effectively** proper planning of territorial areas, break up store into logical sales sections and functional areas.
2. **Plan a productive layout** the layout be planned to encourage customers to circulate around the space and visit as many merchandise areas as possible.
3. **Provide stimulants to enhance sales** use stimulants such as suitable music which will be pleasing to the ears and liked by the

particular age of customers visiting the stores, enticing them to spend more time at the store and also make purchases.

4. **Make proper arrangements and use combinations of lighting:** lighting apart from being an important mood setter can also produce the desired ambience and when used in combinations can create interesting contrasts through a display area. Proper lighting can influence and create a positive image of the store and its merchandise in the minds of the consumers.

##### Objectives

The main objectives of a good store design should be:

- (i) It must complement the customers' needs i.e. be consistent with the image and strategy.
- (ii) It should act positively on consumer behaviour.
- (iii) It must consider the costs associated versus the value received in terms of higher sales and profits.
- (iv) It should be flexible to adopt any changes in the merchandise with its store's image.

**Q2. Explain the 5 essential principles of retail store design.**

*Ans.:*

##### 1. Define Your Space

First things first, defining your space is all about your brand and image, how it gets people into



your store, and what they do once they're there. This is the big picture-what are you selling, and who are you selling to? There needs to be a consistency of style and function in your store that reflect all of these different factors, to tie the whole shopping experience together.

A good example of this is Starbucks, a brand that has built its empire by focusing not so much on coffee, but on the experience of drinking it, by providing customers with copy, comfortable chairs and free wifi, to encourage them to linger for long periods of time, and potentially make multiple purchases in a single visit.

## 2. Organizing the Space

When a customer shops online, they have an entire store at their fingertips, with the ability to look at multiple different types of products at essentially the same time. This isn't the case for the in-store shopping experience, so it's important that the space is well-organized, and as intuitive and easy to use, as possible. A customer who enters a store should have a clear path to follow, with different categories of products clearly sign-posted, logical and clear product groupings, and a means of quickly finding help if they need it. A well-organized store is one that makes customers feel safe and comfortable, and is structured so that they can get what they need without wasting time.

## 3. Offer a Sequential Experience

Successful stores deliberately plan the customer experience, both figuratively and literally. Literally, it's about planning the store's layout for the optimal customer experience; figuratively, it's more about the chronological path a customer takes to get there awareness through advertising that encourages them to stop by (whether print, online or a store-front window), the visit to the store itself, exploring the store and browsing products, and finally, making a purchase.

## 4. Provide Visual Communication

Visual information includes signage, branding, and other written and graphical information that communicates essential information to customers. It should be clearly legible, and provide only important information that will actually enhance the customer's experience, and ideally, each element should conform with the store's visual branding design.

This is a good place to take inspiration from the world of exhibition design, where the focus is on providing information quickly and succinctly, to people whose attention is typically divided between multiple different brands' at once. Visual communication needs to be immediately recognizable, and provide information that can be interpreted and used quickly.

## 5. Invite Customer Participation

Good visual communication invites customers to participate actively in their shopping experience for example, by ensuring that staff members are available and clearly visible as such, and providing the opportunity for the customer to have different types of experiences within the store. With the massive shift that online shopping has brought, this part of the store design process is also about offering experiences that the customer can't get online, whether it's one-on-one help and advice from staff, or the opportunity to try products out before purchasing.

### Q3. What are the dimensions of retail store design?

*Ans.:*

Retailers need to work on the four dimensions of the retail design which are as follows:

1. Design logic
2. Design expression
3. Design execution
4. Design output

## 1. Design logic

This refers to behind the rationale of answering consumers' questions like what do I get in an organized retail shop which is better than an unorganized kirana store? The answer to this question is to be encapsulated in the store design logic. The design logic has to be analyzed and woven into the retail design keeping in line with the consumers' rational and functional needs and desires.

The design logic must be relevant to the three human components that form the sociological, psychological and historical background of consumers and this is a part of the subconscious mind where his emotional attachment resides. Hence, each retailer must strategically plan a mix of elements to match the needs of his customers. A mix of the following six elements meets the physical and emotional needs of the customers:

- (a) **Employee type and density:** The retailer employs sales staff to match the selling and image needs of his store. A specialty store will have a higher density of the staff at about one per 100 sft and sales would be one who caters to the needs of the customers. The sales person speaks local language and looks more homely. In contrast, the large department store the density of staff would be one per 100sft. They will be well educated and suitably dressed.
- (b) **Merchandise type and density:** The type of merchandise determines its density in the store. A supermarket is very dense and averages about 8000 pieces per 100 sft The density of merchandise also determines the margins planned on the merchandise. The lower the density shows the higher the margins.
- (c) **Fixtures type and density:** The fixtures have to complement the value of the merchandise. A jeweler uses a lot of expensive woodwork and stones to

add value merchandise, while a sport ware goods stores use more of metal and plastic.

- (d) **Sound type and density:** Sound can be pleasant or unpleasant and can have a direct impact on the store atmosphere. A pleasant sound adds to the intensity of the experience. An unpleasant sound on the other hand, can have a negative effect. The category of the merchandise determines the type and density of sound.
- (e) **Odour type and density:** Like sound, odour too has a positive or negative effect on the store atmosphere. Positive odours add to the shopping experience in a store. Negative odours drive the customer away. The strength of the odour is also important and even the right odour if it is too strong can have a negative effect
- (f) **Visual type and factors:** These are a result of the overall store presentation. The interior design, display and visual merchandising also add to the purchasing requirements of the customers. Elements like lighting and colour can be controlled to make customers buy more.

Thus, the retailer has to consider this critical element in order to motivate consumers to patronize the store.

## 2. Design expression

Approaching the retail business with the emotion evoked in a differentiable expressive concept is referred to as design expression. The retail design should so eloquently express itself that it compels the consumer to experience the need to step inside and purchase all essential items and not just the occasional purchase.

## 3. Design execution

The retailers should create and execute the store design that the customers will be

surprised with such differentiating execution and they elevate the outlet from the ordinary commodity market. This execution is possible only through combining the rational, functional and emotional content of delivery.

#### 4. Design output

The design output should be such that it gains sustainable connectivity to the consumer's subconscious mind. This is really a challenge for the retailer because the retail store design must encompass aesthetics, the consumers' desires and the mind, an attractive in-shop merchandising design and a striking external character.

### 4.2 STORE LAYOUT

#### 4.2.1 Significance

**Q4. Define store layout. Explain the significance of store layout.**

(OR)

**Store layout design helps in high retail performance. Explain.**

*Ans :* (July-21, Dec.-18, Imp.)

Retail store layout describes the overall look and feel of the interior of a retail store, including the placement of fixtures and products within the store. It is an important part of implementing retail store strategy. Effective layouts are designed to expose customers to the most products possible given the amount of floor space available. It is the design in which a store's interior is set up.

#### Significance

A store's layout is one of the key strategies in its success therefore, a lot of time; effort and manpower go into its design. Retailers use layout to influence customer's behavior by designing the store's flow, merchandise placement and ambiance. Layouts also help retailers understand how much revenue per square foot they are making; using this information, they can properly assess the strengths and weaknesses in their merchandising mix.

#### 1. Predict Consumer Behavior

The flow of a store's layout determines how customers shop. The longer a customer is in a store, the more likely she is to buy therefore, the goal is to keep her shopping longer. Escalator placement (arrangement of the down and up escalators), arrangement of fixtures and even the placement of departments affect the store's traffic. For example, some food retailers put necessities such as eggs and milk in the back of the store so the customer has to navigate through other merchandise to get to them. Department stores also use this strategy, putting the kids department on the top floor so that parents have to walk through other sections thus increasing the likelihood that they will purchase more.

#### 2. Maximize Square Footage

A retail space makes more money when it maximizes sales per square foot-and this can be predicted with the use of its layout. So if a specific area is lacking in sales, the retailer can rearrange merchandise to meet sales goals. The purpose is to put as much merchandise on the floor with a mix of high- to low-priced goods and fast- to slow-selling goods. For example, a high-priced flat-screen TV will be merchandised with low-priced accessories. Additionally, high- priced items might be allowed more retail space, whereas low-priced items might be stacked on a fixture to place more products on the floor.

#### 3. Provoke Additional Sales

The layout can organize product categories together so that customers find different items they are looking for in one location. Equally as important is the layout's ability to keep complementary products or similar brands in proximity so that a customer will be more inclined to buy products connected to the one they are shopping for. This is grouping together designers that cater to a similar customer, or merchandising winter hats, gloves and scarves in the same area, is a way to bring additional cross-category or cross-brand sales.

#### 4. Deter Shoplifters

Preventing shoplifting and theft is another purpose of store layout. High-priced items are sometimes kept in locked showcases in the rear of the store. Small items that can be easily shoplifted can be kept in a display or in designated section where there is more security support. Sometimes the store layout places the exit in area that either passes security or requires an extra maneuver, making it more difficult to flee the store with stolen merchandise.

#### 5. Foster Positive Attitudes

Most retailers want customers to feel at ease and comfortable when shopping so that they transfer the same sentiments to the items they are purchasing. The store layout design can determine what emotions are evoked in the shopping experience. Factors such as merchandise arrangements, fixture colors and aisle space affect whether a customer likes, and therefore frequents, a store. Tall fixtures that restrict visibility might cause anxiety in shoppers, as they are forced to navigate every aisle. In clothing stores, a congested or ill-designed layout where fixtures are too close together can create tension, rushing shoppers through their purchase. Open layouts where merchandise is visible can eliminate tension, making customers want to shop longer.

#### 4.2.2 Types of Store Layout

##### Q5. Explain the different types of store layout.

Ans.:

(Dec.-18, Imp.)

The layout of the store is the manner in which merchandise or products have been arranged in a retail store. It helps the movement of the customer within the store. An ideal layout strikes the balance between the merchandise to be displayed and productivity.

#### Types of Store Layout

##### (i) The Grid layout

The grid layout is the one most commonly used in supermarkets and discount stores. While one area of display is along the walls of the store, the other merchandise is displayed in a parallel manner.

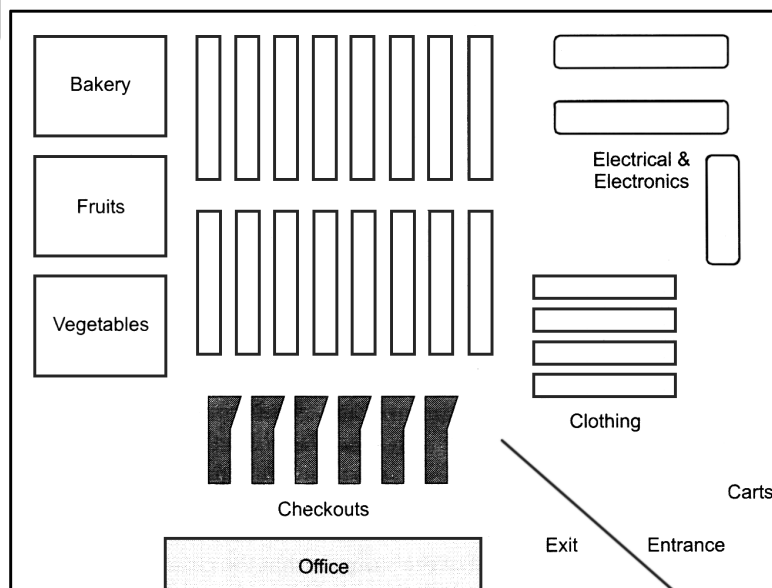


Fig (a) : The Grid Layout

It allows for movement within the area and uses space effectively. It is therefore, a preferred layout in many retail stores that adopt self-service. Figure (a) is an example of a Grid layout.

## (ii) The Race Track Layout

The race track layout is also called the loop layout. As the name suggests, the display is in the form of a racetrack or a loop, with a major aisle running through the store. The aisle provides access to various shop-in-shops or departments within the store.

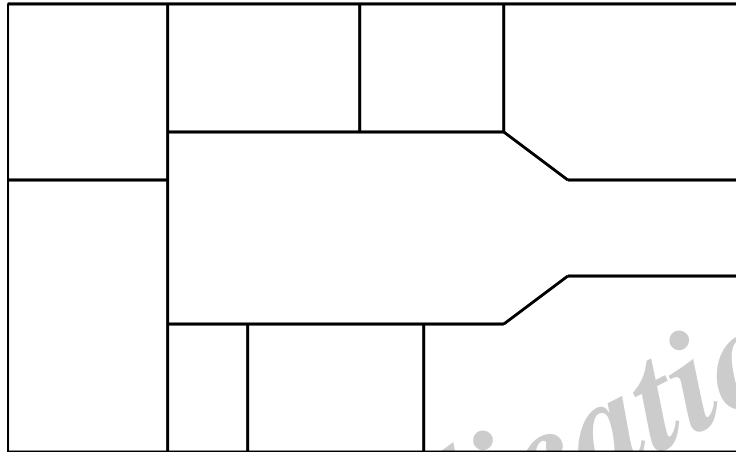


Fig. (b) : The Race track/Loop layout

This layout is popularly found in department stores. Secondary aisles within each section may link individual merchandise sections within the departments. Figure (b) illustrates a race track layout.

## (iii) Free form Layout

In a free form, merchandise is arranged in a symmetrical manner. It allows for free movement and is often used in department stores to encourage people to browse and shop. This type of a layout may not allow for maximum utilisation of the retail space available. The Freeform layout is illustrated in Figure.

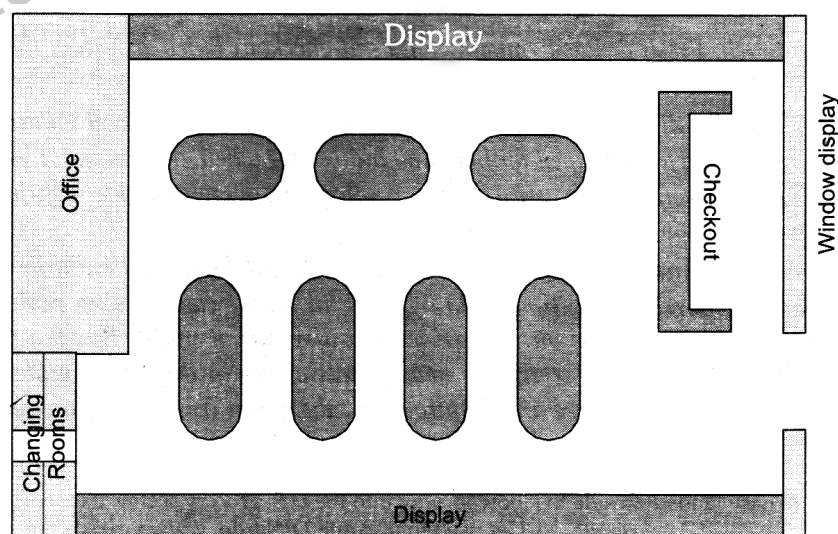


Fig. (c) : Freeform Layout

While there is no standardized principle as to what needs to be a layout for a particular type of a store, a retailer may choose the same on the basis of the target customer that he chooses to serve or the general image and look that he wishes to create for the store. Another popular form of presentation of merchandise is termed as the boutique layout, wherein the sales floor is segregated in terms of various areas, with each area focusing on a particular theme. The Race track/Loop layout a resemblance to a shop-in-shop. Retailers may adopt variations of the boutique layout and may create other layouts like a 'Y Layout', an 'S Layout' or a 'Q Layout'.

#### 4.2.3 Layout Selection - Chief Considerations

**Q6. State the various chief consideration in a retail store layout.**

*Ans :*

Site selection in retailing refers to the type of building the retailer needs and its affordability. Retailers' should decide whether they should own the property, lease the premises on rent or have a joint venture with the landlord. Site selection depends on the nature of the building, facade requirements, size requirements and costs.

With the advent of new retail formats in India such as planned shopping centers and malls emergence of free-standing department stores, hypermarkets etc. and further development of traditional business districts and other unplanned shopping locations as discussed earlier, a retailer is presented with a wider choice of locations. Consideration of all the options keeping in view the product mix, customer profile and overall business model presents an enormous challenge.

Location is the most important ingredient for any business that relies on customers. It is also one of the most difficult to plan for completely. Location decisions can be complex, costs can be quite high, there is often little flexibility once a location has been chosen and attributes of locations have a strong impact on a retailer's overall strategy. Choosing the wrong site can lead to poor results and in some cases insolvency and closure.

Since more than 90% of the retail sales are made at stores, the selection of a store location is one of the most significant strategic decisions in retailing. Although the small store features personal service and long hours, it cannot match the supermarket's product selection and prices. A large supermarket or a discount store can offer lower prices since they get economies of scale in purchasing and operations. The reasons for locating a store in a certain place vary with the type of business. Hence retail location and layout plays a vital role in business of the retail outlets.

Retail store management involves paying adequate attention to factors such as expected movement of the customers visiting the store and space allotted to customers to shop, and making adequate provision for merchandise display. These concerns are important as they contribute to the capital cost of the retail firm and also the overall image of the store.

#### Site Evaluation

Location Type	Potential Advantage	Potential Disadvantage
Downtown	<ul style="list-style-type: none"> <li>• Good transit</li> <li>• Established market</li> <li>• Independent focus</li> <li>• Strong business audience</li> </ul>	<ul style="list-style-type: none"> <li>• Perceived parking problems</li> <li>• Possibly in decline</li> <li>• Usually poor evening traffic</li> </ul>

Regional Mall	<ul style="list-style-type: none"> <li>• High traffic</li> <li>• Plenty of parking</li> <li>• Established draw</li> <li>• Professional image</li> </ul>	<ul style="list-style-type: none"> <li>• High rent</li> <li>• Very competitive</li> <li>• High building costs</li> <li>• Controlled hours</li> </ul>
Community Mall	<ul style="list-style-type: none"> <li>• Trading area defined</li> <li>• Good parking</li> <li>• Community-driven</li> </ul>	<ul style="list-style-type: none"> <li>• Mixed images</li> <li>• Unrated market</li> <li>• Limited traffic</li> </ul>
Strip Mall	<ul style="list-style-type: none"> <li>• Specialized tenant mix</li> <li>• Visibility</li> <li>• Convenient</li> </ul>	<ul style="list-style-type: none"> <li>• Limited draw</li> <li>• Limited access/transit</li> </ul>
Free	<ul style="list-style-type: none"> <li>• Lower rents</li> </ul>	<ul style="list-style-type: none"> <li>• Unit size (large)</li> </ul>
Standing/Big Box	<ul style="list-style-type: none"> <li>• Value image</li> <li>• Lower overheads</li> </ul>	<ul style="list-style-type: none"> <li>• Exclusive to major tenants</li> <li>• Harder to attract customers</li> </ul>

### 4.3 STORE ENVIRONMENT

#### 4.3.1 Need

**Q7. Define store environment. Explain the need for store environment.**

**(OR)**

**“Pleasant and attractive store environment is the part of promotion.” Comment.**

*Ans :*

**(July-19)**

Environment is something that stands for an atmosphere which is external to the retail organisation. Retail store is a subsystem of a supra-system namely, environment because retail units cannot exist in vacuum. In selecting and developing a retail store environment, the retailer must consider its physical and psychological impacts on customer attraction, employee moral and store's operations. Store's operations and consumer shopping are both enhanced by a well planned and creatively designed setting. It is a mad, mad-world where ad, ad plays very important role. To appeal to the fashion conscious, hedonistic and up-scaled shopper, the store must create a theatrical environment enhanced by colourful displays and high-tech lighting and audio presentations.

A retail store's physical environment is a complex of the tangible elements of form reflected in the way land, building, equipment and fixtures are assembled for the convenience and comfort of both customers and the retailer. Equally significant is the retail store's psychological environment – the perceived atmosphere the retailer creates; psychological environment is the mental image of the store produced in consumers minds. A store's effectiveness, absoluteness and uniqueness be in the retailer's ability to plan well, create consciously and control carefully both the store's physical and psychological setting. The psychological impression, a store makes on consumers depend on the stores image and the buying atmosphere

**Need****1. Sight Appeal**

The sense of sight provides people with more information than any other sense mode and, therefore, must be classified as the most important means by which retailers can appeal to consumers. Sight appeal is the process of imparting stimuli, resulting in perceived visual relationship. Size, shape and color are the primary visual stimuli on which retailer can encash. Visual relationships are interpretations made by the "mind's eye" from visual stimuli consisting of harmony, contrast and clash "harmony" is the visual agreement. "Contrast" is the "visual diversity" and clash is the "visual conflict." All these can occur in the areas of display-layout or the physical arrangement. In a given situation, either harmony or contrast or clash may be the best way to create an appealing shopping atmosphere. Experts are of the opinion that harmonious visual relationships are generally associated with a quieter, plusher and more formal shopping setting; whereas contrasting and clashing visual relationships can promote an exciting, cheerful or informal atmosphere.

**2. Sound Appeal**

Sound is such an appeal that can enhance or hinder the store's buying atmosphere. People like sounds which are pleasant and soothing while disturbing and irritating none likes. In latter case sound becomes a noise. It should be appealing music than detracting noise. In this regard, there are two things namely, sound or noise avoidance and sound creation. Obstructive sounds or noise disturb and interrupt the buying process. Unwanted sounds are to be either eliminated or controlled. Noise pollution is to be avoided. Noise avoidance is a problem tailor made for physical facilities planning. In fact, careful use of architectural design, construction materials, equipment and the interior decorations can eliminate or reduce considerably disturbing and obstructing sounds or noise.

Coming to creation of sound, retailer can use sound appeal in a variety of ways to create buying atmosphere. Sound is a mood setter, an attention getter and informer. Music is capable of relaxing the customer, promoting a buying spirit, set the stage for a particular shopping theme or remind the customer a special season or holiday. Music must match the selling scene. The type and volume of must be suitable to the consumers than retailers.

**3. Scent Appeal**

Scent appeal or smell appeal is also important, for smell is a product feature. Creation of scent appeal is almost similar to that of sound appeal. The question is how to avoid unpleasant odors and to create pleasant smells. Stale, musty, and foul odors offend everyone and are sure to create negative impressions. These unwanted odors are the outcome of inadequate ventilation, insufficient humidity control and poorly placed and maintained sanitation facilities. Contrary to this, pleasant scents or smells are the key ingredients generating an atmosphere inducing, propelling the consumers to buy.

For instance, a well-placed fan in a bakery section or candy store or food section attracts the passersby as these pleasant and aromatic smells spell bound the consumers which encourages impulse buying. Retailers of foods, flowers, perfumes and other scented products know the value of bringing the fragrance or sweet smell to the noses of consumers. It is rightly said "a store should smell like it is supposed to smell." For instance, drug store should smell clean and antiseptic. An antique store should smell a dusty, musty smell to enhance the buying atmosphere.

**4. Touch Appeal**

While buying, the consumers, they want to test the product by touch. Personal inspection – handling and squeezing – is a prerequisite of buying. There are products or produce where touch feel is a must, bet it a fish, meat,



vegetable, fruit, consumers want to touch them before buying. In fact machine vending and pre-packing do not provide touch feel because of which some of the customers hate vending machines and super markets. Generally there should be facility of providing the consumer sense of touch.

The chances of sale increase. Substantially when the consumer is allowed to touch the product. If not the entire lot, this touch appeal can be provided through good planning facilities. Displays and fixtures should be designed:

- (i) to provide consumers with samples to handle,
- (ii) to provide product protection from normal store dust and dirt.

In spite of revolutionary changes in methods of market, sale by inspection has not been totally extinct and therefore, consumers should be provided with touch appeal.

## 5. Taste Appeal

In some cases, sale of products is impossible unless the retailers provide an opportunity of tasting a bit of it. This is the case with specially foods such as meats, cheeses, bakery and dairy products. While designing the in-store displays, retailers have to provide the potential customers with a sample of the product under clean and sanitary conditions. Basically, the reason to taste is a test of freshness or the extent of caring.

### 4.3.2 Importance

#### Q8. State the importance of retail store environment.

*Ans :*

1. Retail store environment, the physical surroundings of a store, is made up of many elements, including music, lighting, layout, directional signage and human elements and can also be divided into external environment and internal environment (that is, exterior and interior of a store).

2. Retail environments are pushing consumers to appreciate hedonic aspects of consumption. Retailers are finding new ways to offer customers something unique or special in order to encourage traffic to physical stores. People like to touch, feel, smell, taste, inspect, test and try on.
3. The environment (store) influences a shopper's emotions and mood, which in turn influence the shopper's behavior. Mehrabian found a significant amount of research to back Holbrook's findings that "emotion is a key link in the shopping experience" determining that consumers' reactions within stores are based on their emotional states, which are stimulated by store designs.
4. It is important to focus on engaging the customer both emotionally and behaviorally, which means that the communication on social media and physical retail stores should both excel in emotional appeal, and encourage various forms of interaction with the brand. Increasingly, success at retail is less about what the retailer has to sell and more about how they sell it.
5. This is the new experiential paradigm shift in shopping. This will become even more critical in the future as success at retail will continue to shift toward how well retailers play to the emotions, psychology and feelings of the shopper.
6. The need whether utilitarian or hedonic carries them to the store but emotions make them stay and shop.

#### Q9. Discuss the factors that influence the retail shopper's behaviour.

*Ans :*

(Dec.-20)

##### 1. Range of Merchandise

Range of merchandise is an important factor which directly influence the behavior of a shopper. It highlights the range or variety of

products available in a retail store. If a retail store consist of all range and variety of products/merchandise with some speciality like good offers or discounts than customer (shopper) will switch from another store to this store.

## 2. Travel Time

In present situation, most customers or shoppers try to purchase any product from near to their home location. Because, they dont want to waste time for purchasing the product from for location when it is available near to them. This types of shoppers mostly available in metro cities like Mumbai, Hyderabad etc. As a result of this, most retailers opening their store in populated areas instead of non-populated or slum areas. Thus, travelling time is also one of the important factor which influence shopper's behavior.

## 3. Socio-Economical Factors

Socio-economical factors indicates the factors like culture, region, environment, background, preferences, income level etc. The behavior of every customer varies from region to region and market to market. This variation mostly depends on the culture of a particular region. For example, culture of India is completely different from U.S or other western countries. Therefore, the shopper's behavior is get influenced by the socio-economical factors of a particular region.

## 4. Family Life Cycle

Family is a group which includes two or more people who are related either through blood or through marriage. Apart from being influenced by the consumer personalities and motivation, consumer behavior is also influenced by the relationship within the family members. For example, husband, wife and children are influenced each other and also they get influenced by other family members. Moreover, the needs of young family members (bachelors) will not be matching with the needs of childrens or elders of family. Therefore, the family life cycle influence the behaviour of shoppers, as such retailer have to customize his store to satisfy the complete family or group of families of a specific region.

### 4.4 VISUAL MERCHANDISING

**Q10. Explain the role of visual merchandizing in retailing.**

*Ans :*

(Dec.-20, Dec.-19)

Visual merchandising, also known as the 'silent salesman', is the science and art of suggestive selling by display and presentation. Visual merchandising focal points are located strategically to circulate the customer in the store, and communicate the features and benefits of the merchandise besides the in-store promotion in vogue. This is done by converting a passerby to a browser with an effective window display, a browser to a spender through the process of 'conversion', a spender to a big spender by increasing the 'ticket size' assisted by the process of cross-merchandising.

Retailers also use the space in the non-trading common areas in addition to the merchandise presentation space for brand promotions paid for by companies owning the brands. In the FMCG category, dealer signboards, windows and in-store space of outlets like chemists and grocers are used as point of purchase promotional areas. In the fashion retailing category, space in common areas like the building facade, staircase landings and columns are given to brands on hire at a price. These add to the revenue generated from the space and also adds value to the store ambience.

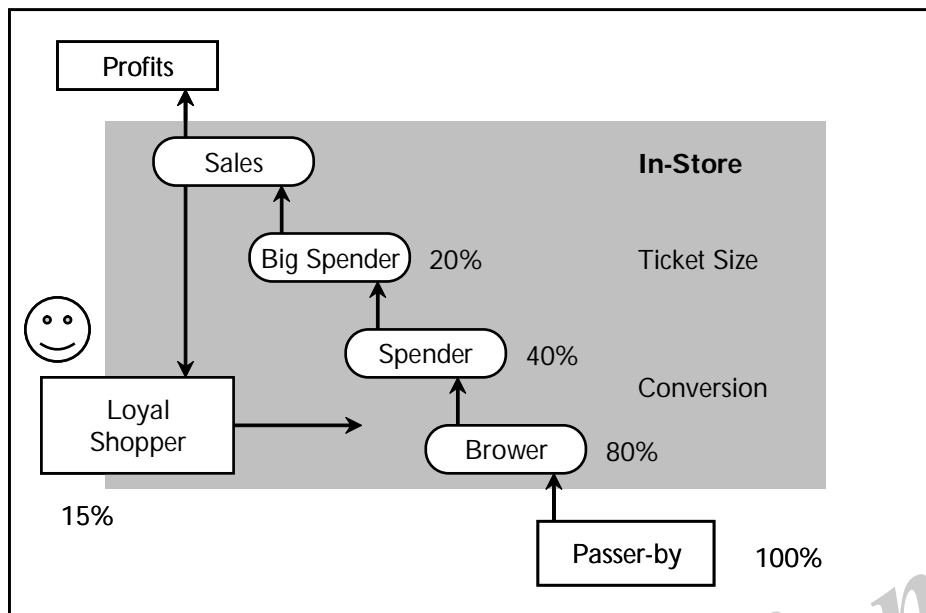


Fig. : The Customer Stickiness Progression Model

### 1. Visual Merchandising Enhances the Shopping Experience

Visual merchandising enhances the shopping experience by providing the right ambience, besides creating an image of the store in the minds of the customers. Such an enjoyable ambience is created through a combination of colours, display presentations, graphics, lighting, forms and fixtures. If done by the store in an exciting and dynamic fashion, the shopping experience would be pleasurable for the consumer and make him come repeatedly.

### 2. Visual Merchandising as a Communication Tool

Visual merchandising communicates to customers the right message about the merchandise by projecting the latest trends, colours and fashion in apparel retailing. In retailing other merchandise, such effective visual merchandising often communicates the latest arrivals in the store. Visual merchandising, by creating basic forms, mannequins and fixtures around the merchandise, often tells the story to the customers. Visual displays are the perfect communication vehicle, and provides an opportunity for retailers to sell a variety of merchandise.

### 3. Presentation in Visual Merchandising

Elegantly presented in a well-defined area and with the right fixtures, an open display provides an environment where the customer can be around an array of merchandise. It silently extends an invitation to him/her to see and touch the goods. A theme display, which is based on a season or an event, is used to promote an appropriate product range. Lifestyle displays are more subtle, not necessarily aimed at selling a particular product, but an image, which has a corresponding activity. Coordinated displays, which contain items that are normally used together, are a way of increasing multiple purchases, besides subtly educating or informing the customer of what can be coordinated with what. Classification dominant displays, which contain all varieties of one product, are used to convey the impression of a wide selection. In fashion retailing, merchandise presentation is very creative and is displayed sometimes in non-standard fixtures that express the mood and its relevant psychographics to the customer.

#### 4. VM Helps Customers Make Buying Decisions

Visual merchandising helps influence buying decisions a great deal. Sometimes, mere presentation creates an impact on the customer, who then decides to buy the product. For instance, in apparel retailing, customers often ask for the whole set of outfits shown on display.

The buying process initiated by visual merchandising starts with the act of grabbing the attention of the customer. Then the presentation creates in them the interest to buy. The story-telling in visual merchandising generates the desire in the customers. The final action of buying is triggered by the visual merchandising and displays communicating one message — the merchandise is 'for you'.

#### Role

Visual merchandisers play a major role in enhancing sales and the customer experience. Depending on where they work, visual merchandisers' duties include:

- Planning the VM theme and creating displays.
- Arranging props for displays.
- Arranging display fixtures and lighting.
- Setting up stores before openings.
- Working with floor plans and store requirements.
- Training personnel on the sales floor to create displays.
- Organizing merchandising units such as racks and shelves.

**Q11. State the various techniques of visual merchandizing.**

*Ans :*

Various techniques of visual merchandising are:

#### 1. End Caps

Display sales items on end caps, fixtures at the end of aisles and facing the main aisles of your store. These displays will grab the attention of customers as they wander through the store. A common end-cap technique is cross-merchandising, where related items are grouped together to encourage add-on sales. An example of this would be when a grocery store displays spaghetti sauce with pasta products.

#### 2. Micro Merchandising

Draw attention to certain products in an otherwise mundane middle section of a long aisle with micro-merchandising. Accomplish this by using a different type of shelving or fixture than the rest of the aisle or by implementing a different color scheme. Customers who would normally walk by the section without taking notice may be intrigued enough by the change of scenery to stop for further investigation.

#### 3. Theme Displays

Use theme displays as a method of cross-merchandising by building displays around a special event or holiday. For example, grocers often build large displays around a football theme for the Super Bowl using a wide variety of snack items. More creative merchandisers might take it a step further by building a mini football stadium with cases of soda and displaying a variety of tailgating products in the area around it.

### 4.5 PROMOTIONS STRATEGY

**Q12. Define retail promotion. Explain the factors effective retail promotion.**

*Ans :*

(July-19, Imp.)

**Meaning**

Retail promotion is broadly defined as all communication that informs, persuades, and/or

reminds the target market or the prospective segment about marketing mix of the retail firm. The retailers seek to communicate with customers to achieve a number of objectives. These objectives include increasing store traffic by encouraging new shoppers to visit the store, increasing share-of-wallet for all shoppers or specific groups among them, increasing sale of a given product or category, and developing the store image or the retail brand.

The retailers communicate with customers through many vehicles: advertising, sales promotion, publicity, and personal selling. The promotional campaigns carried out by retailers and manufacturers are different in several ways. Retailers normally have more geographically concentrated promotional campaigns than manufacturers. Very few retailers would hence use national media. For most of the retailers who want to advertise, the main avenues are vernacular television channels, vernacular newspapers, local newspapers, radio, billboards, posters, etc.

The campaigns are thus very low profile and would not generally involve the kind of budget that a normal nationwide campaign carried out by a brand manufacturer will have. Another point of difference is that in their campaigns, retailers would always seek immediate action rather than a gradual transformation of the brand image and mindset that many brand promotion programmes generally seek to.

### Factors

Following are the major factors considered by retailers while determining the promotion mix strategy:

#### 1. Type of Product

The promotion task depends on the type of product marketed. Low-priced, frequently purchased consumer goods like toilet soap, toothpastes, soft drinks, etc., will need frequent repeat messages to influence and remind the existing consumers about the brand and to persuade new consumers to buy. For an industrial product of high value and high

technology which is purchased infrequently, personal selling, product demo, exhibition, and sales presentations become the necessary promotion mix.

#### 2. Nature of Market

The intensity of competition in the market, locational characteristics of the consumers, and the requirements of channel members also influence the promotion mix decision. If the target audience is large and widely spread-out in different parts of the country, advertising and sales promotion will be effective and economical. For example, consumer goods.

#### 3. Stage in Product Life Cycle

Based on the stage at which the product is in the PLC the promotion mix has to change. When the product is in the introduction and early growth stages, the tasks involved are awareness creation and motivating product trials. Later, as the product reaches the maturity stage, the objectives of maintaining brand loyalty and creating brand preferences become more important.

### Q13. Write about promotional strategies in retailing.

*Ans :*

Retailers design intriguing ads, stage special events and develop promotions aimed at their target markets. Communication tools are the key methods/ways by which a retailer conveys its methods to its target segments. These tools include variety of ways of communicating or promoting, and collectively known as retail promotion mix or retail communication mix. Retail promotion has several basic components.

Collectively, these components comprise the retailer's promotion mix. The degree and nature of usage of each of the promotion methods depends on the objectives of the retail firm, product, market profile, and availability of resources. Different communication tools that retailer can use are as follows:

**1. Retail Advertising**

Advertising is "paid, non-personal communication through various media by business firms, nonprofit organisations, and individuals who are in some way identified in the advertising message and who hope to inform and/or persuade members of a particular audience; includes communication of products, services, institutions, and ideas".

**2. Retail Sales Promotion**

Sales promotion involve the use of media and non-media marketing pressure applied for a predetermined, limited period of time at the level of consumer, retailer or wholesaler in order to stimulate trial, increase consumer demand, or improve product availability. The most popular sales promotion tools in retailing are premiums, frequent buyer programs, discounts, coupons, in-store displays, contests and sweepstakes, product demonstrations, and sampling.

**3. Personal Selling in Retail**

Personal selling is "selling that involves a face-to-face interaction with the consumer". Personal selling involves oral communication with one or more prospective customers for the purpose of making sales. The level of personal selling utilised by a retailer depends on the image it wants to convey, the types of products sold, its level of self-service, and its interest in long-term customer relationships - as well as expectations of customers.

**4. Public Relations in Retail**

Most big retailers in today's environment are not only concerned to customers, suppliers and dealers but also concerned about the effect of their actions on people outside their target markets. It is a planned effort by an organisation to influence the attitudes and opinions of a specific group by developing a long term relationship. The target group may include a large number of interested public (customers, stock holders, government agency, and special interest group).

A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) involve a variety of programs/events designed to promote or protect a company's image or its individual products. Public relations are a broad set of communication activities used to create and maintain favourable relations between the organisation and its publics as customers, employees, stockholders, government are officials and society.

**5. Publicity in Retail**

Publicity is "non-paid form of communications of information about the company or product, generally in some media form". Publicity (at times referred to as public relation) entails any communication that fosters a favourable image for the retailer among its public. It can be non-personal or personal, paid, or non-paid, and sponsor controlled or non-sponsor controlled. Publicity is a non-personal form of promotion where messages are transmitted through mass media, the time or space provided by media is not paid for, and there is no identified commercial sponsor. Some methods of developing public relations or getting publicity for small retailers are:

**(i) Eliminate Junk Mail to Editors:**

Press release should be limited to some extent only, which can increase the chances of getting coverage.

**(ii) Follow Time Limitation:** Only should know how much time an editor will spend to determent the utility of the item. So the title and headline of the release should be interesting.**(iii) Through TV:** Small retailers can give their ads through local cable TV channels.**6. Word-of-Mouth in Retail**

A slow mode of communication and advertising, word-of-mouth is - undoubtedly the most effective. When satisfied customers

inform other prospective customers of the good experiences they have had in a store, the effects are far more beneficial than all the billboards and other modes of communication used by retailers. This is because; such the praise is not self-praise but originates from a source that stands nothing to gain from the comment.

At this point, it is important to remind every retailer that the cost incurred in retaining an existing customer is only a fraction of that entailed in attracting a new one. In fact, the cost of bringing back an old customer is even more substantial and it is always the best principle to ensure the satisfaction of the store's present customers.

Positive word-of-mouth recommendation is generally dependent on customers having good experiences with an organisation, and studies have shown how unexpectedly high standards of service from a company can promote recommendation. On the other hand, a bad experience can rapidly be spread as negative word-of-mouth discouragement. An important communication objective therefore is often to leverage this 'free' form of positive promotion and to limit the damage caused by negative word-of-mouth by encouraging dissatisfied customers to resolve their problems before they tell others.

In addition to providing a good product that people would want to recommend to their friends, firms facilitate word-of-mouth recommendation through such means as customer referral cards.

### Techniques for the Formation of WOM

#### (i) Buzz and Viral Marketing

Some marketers highlight two particular forms of word-of-mouth :

**(a) Buzz Marketing:** Buzz marketing generates excitement, creates publicity, and conveys new relevant brand-related information through unexpected or even outrageous means.

**(b) Viral Marketing:** Viral marketing is another form of word-of-mouth, or "word-of-mouse", that encourages consumers to pass along company-developed products and services or audio, video, or written information to others online.

#### (ii) Opinion Leaders

Communication researchers propose a social-structure view of interpersonal communication. They see society as consisting of cliques, small groups whose members interact frequently. Clique members are similar, and their closeness facilitates effective communication but also insulates the clique from new ideas. The challenge is to create more openness so that cliques exchange information with others in the society. This openness is helped by people who function as liaisons, and connect two or more cliques without belonging to either, and bridges, people who belong to one clique, and are linked to a person in another.

#### (iii) Blogging-Creating Positive WOM

Bloggers can be used by companies to generate positive word-of-mouth. Blogosphere is decentralised and ungoverned. It is gaining the power to influence what people think, do and buy. In the blogosphere, social recognition matters more than financial gain. Bloggers are driven by desire to share their ideas and opinions with anyone who tunes in. That enhances their credibility, making them attractive to marketers.

### Q14. Define advertising ? Explain the objectives of advertising.

*Ans :*

Advertising can be defined as any paid form of non-personal presentation and communication through mass media. It is popularly believed that one of the main aims of advertising is to sell to a wide mix of consumers and also to induce repeat purchases. However, a retailer may use advertising to achieve any of the following objectives:

1. Creating awareness about a product or store.
2. Communicate information in order to create a specific image in the customer's mind in terms of the store merchandise, price quality, benefits, etc.
3. Create a desire to want a product.
4. To communicate the store's policy on various issues.
5. Help to identify the store with nationally advertised brands.
6. Help in repositioning the store in the mind of the consumer.
7. To increase sales of specific categories or to generate short term cash flow - by way of a sale, bargain days, midnight madness, etc.
8. Help reinforce the retailer's corporate identity.

**Q15. Explain the methods of advertising.**

*Ans :*

**1. Print Advertising**

Print advertising consists of anything from fliers and signs to newspaper and magazine ads. Fliers can be posted throughout common areas where the target market is most likely to see them. Fliers can advertise weekly specials and promotions. Signs can be posted around the location in the grass or nearby areas leading up to the store. When retailer takes out an ad in a newspaper or magazine, he expects much higher costs than paid for fliers. Newspaper and" magazine ads can be tricky in this age when electronic media leads customer focus. For example, if one owns a sporting goods store, one will want to be in the sports or community section.

**2. Broadcast**

Using broadcast commercials like radio and cable television ads for a more targeted communication reach is good option. The prices of these forms of advertising can be a little more reasonable depending on the season; however, retailer may need to add production costs to its budget. With radio advertising, work with the sales team during

the grand opening or anniversary to offer on-air gift card giveaways. With cable television commercials is another option for advertising the stores. For example, Big Bazaar broadcasts TV commercial for Wednesday's 'Maha Bachaat Offer'.

**3. Internet Advertising**

One can use website to promote the store and post upcoming events and sales. Create a mailing list of the customers and mail them news related to business as well as special offers to keep the business at the top of their minds. For example, pantaloons and fashion bazaar promote special offers and discount coupons on various websites.

**4. In-store Advertising**

Basic ways through which retailers can create their own in-store advertising include window displays, special in-store displays, signs and posters, personal selling efforts. Create fun promotions in-store to lure customers back within the next few days, weeks or months. Retailers can issue coupons upon check-out that are good for their next purchase. Host special sales for current customers and promote upcoming sales inside the store.

**Q16. Explain the role of advertising.**

*Ans :*

**1. Increases Awareness of Retail Store**

Target audiences are aware of the existence of retailer's product and services in the market. They become familiar with the retailer's brand.

**2. Increases Knowledge**

People know what the product has to offer, i.e., people know the uses, qualities and details of retailer's product, its price, the place where it is sold, etc.

**3. Creates Linking**

People have favourable attitudes towards retailer's product and assortment and they can start liking his product through the persuasion of advertising.



#### 4. Induces Preference

Advertisement helps in moulding People's attitude to a point of preference for retailer's brand over competitor's brand. Comparative advertising plays a very important role here. People have compared retailer's product with competition products and they feel that retailer's product will be a better choice.

#### Q17. What is the role of sales promotion in retailing ?

*Ans :*

Sales promotion tools are excellent demand generators. Many can be used on relatively short notice and can help the retailer to achieve its overall promotion goals. Furthermore, sales promotions can be significant in helping the retailer to differentiate it from competitors. Retailers have long known that consumers will change their shopping habits and brand preferences to take advantage of sales promotions, especially those that offer something special, different, or exciting.

Retailers must remember that, since all stores are able to shop the same vendors, merchandise alone does not make a store exciting. In-store happenings of sales promotion can generate excitement. Because of their poor record-keeping systems, many retailers fail to recognise that the role of sales promotion is quite large and may represent a larger expenditure than advertising.

They know the cost of advertising because most of that is paid to parties outside the firm. However, the cost of sales promotions often includes many in-store expenses that the retailer does not associate with promotion activities. If these costs were properly traced, many retailers would discover that sales promotions represent a sizable expenditure.

#### Role

##### 1. Stop and Shop

Customers, who are just passing by, with no intention of purchasing, would be encouraged to enter the store. The promotional activity may be such that it does not directly hint at a

purchase, but just a free trial. For example, free hairstyling done using a hair gel sold by the store.

##### 2. Shop and Buy

Once the customers have been persuaded to enter the store, they have to be convinced to purchase by presenting the merchandise in such a manner that the customer feels a desire to buy. For example, the store could offer a money-off voucher with the hair gel bottle or the customer would be entitled to get a shampoo if they purchase the hair gel.

##### 3. Buy Bigger

The promotional activity aims to persuade the customers to buy in a greater quantity or buy other products in addition. For example, customers who buy a bigger pack may be entitled to enter into a contest or they can get a free gift or customers who purchase merchandise more than a specified amount would get similar benefits.

##### 4. Repeat Purchase

Retail sales promotion encourages customers to return again and again to the store. This is achieved by instilling loyalty among the customers through previous purchases. The goodwill can be created by schemes like continuity programs or store cards. Regular customers are offered cards whereby after a certain amount of purchases they are entitled to a gift, for example, a trip to Mauritius.

#### Q18. Explain briefly about public relations.

*Ans :*

Public relations is a marketing communications function, which aims at fostering goodwill. An Important component of public relations is publicity. By way of public relations, the retail organisation strives to create and sustain a favourable image with consumers, shareholders, suppliers and the public at large. The job of public relations is usually handled by an outside Public Relations firm

and may be created to promote goodwill for the organisation, to promote a particular product or service or to counteract negative publicity.

An organisation may integrate the PR effort by way of press releases, feature stories and company newsletters or by interview with the press or press conferences.

Publicity is a non paid form of media coverage. In today's world, it is rarely free and a fair amount of skill has to be exercised by the organisation to ensure that the right media coverage is achieved. Examples of events in retail, which may merit publicity, are:

- Store Openings
- Store renovations
- Celebrity visits and affiliations
- Designer associations
- New product ranges and launches
- Awards received by the retailer
- Fashion shows and sponsored events

In order to gain positive publicity, considerable amount of effort has to be put into creating the press kit and holding the press conference. The event or the promotion or the features of the product have to be discussed with members of the press. The press may need a history of the organisation, which needs to be researched and well written. Considerable effort also needs to be put into arranging the photo sessions, which may be needed.

**Q19. Explain functions of public relations.**

*Ans :*

The main responsibility of public relation is to communicate the policies, practices, problems and performances to the public and feedback public opinion, and suggestions to the top management so that a mutual understanding can be established between the organization and its public i.e. shareholders, dealers, customers, general public, government etc

**1. Communicating to the Shareholders**

Shareholders are a part of the business public whose goodwill and support are of vital importance for the existence and the success of any concern. In changing economy of India, new classes of investors are emerging out who have been attracted to invest their funds in industries.

**2. Communicating with the Dealers**

As customers cannot be contacted, except through advertising campaigns, a more effective way of dealing with them is to approach them through dealers and hence it is necessary to communicate well to the dealers.

**3. Communicating with the Customers**

Apart from quality and price of the product customer relations has become an important factor in influencing the customer's behaviour and attitudes and thus developing a better image of the product in their minds. The first thing in maintaining customer relations is to inform the customers all about the product and then assess what they know about it.

The knowledge of customer's mind can be assessed through research, surveys and probes and on the basis of such knowledge; attempts are made to adjust the company's products, products and practices to meet the customers' preferences. The customers should be kept informed about the availability and the quality of the product because it is necessary to allay their fear that business supply goods of inferior quality especially when it is short supply.

**4. Communicating with the General Public**

Communication with public is altogether essential in developing a corporate image in the minds of the general public. It is, therefore, necessary for the business to realize its social responsibility towards the public at large.

First, the manufacturer must popularize a code of fair trade practice to have a check

on the unscrupulous activities of the traders and retailers from rigging up prices when temporary shortages occur.

Second efforts must be made to inform the public the contribution of the business to the economic and industrial development of the nation such as its performance in the field of production, import substitution, self-sufficiency export promotion and diversification of its activities and in creating opportunities.

Third, the business must inform the public about its role as an employer as remuneration, facilities, perquisites allowed, welfare activities etc. provided or allowed to its employees and its efforts towards evolving a better and more harmonious relations.

Fourth, it must project an idea that business has a social consciousness and responsibility. It must take about its contribution to the solution of social problems and its association with good cause in the field of education, health and general welfare of the public. Public relation has a good role to play in all this activities.

#### 5. **Communicating with the Government and M.P's**

In the present Indian context, government is one of the segments of any business. In India, the government plays a prime role in driving the economy and the business is independent for its existence, functioning and growth on government policies and action.

So it must have an effective communication link with the government because of a number of reasons-

First because the company is accountable for its action to the government as the government controls the various aspects of the business.

Second, because the government is run not only by the ministers but by many of its officials at various levels in the ministries and other department influence the decision.

Lastly because the government in its turn is answerable for the development of the economy.

Communicating with the M.P's is not less important for the parliamentary proceedings receive a wide publicity. It is in the interest of the company to keep in touch with the M.P's and communicate about its problems and performance.

#### 6. **Communicating with the Employees**

Industrial relations have been described as an area where a social conscience is particularly necessary today. When the clamorous demands of workers have to be reconciled with the not too plentiful resources of industry. This is the area of personnel department but the public relation will have to play its role unobtrusively and guardedly.

The public relations department can and does play a vital role in providing the personnel department with better ideas and aids of communication, in its efforts to bring about improved working conditions, grievance procedures recruitment and promotional policies, employee training, recognition of exceptional performance and educational, health, and welfare amenities. The public relations director publish the house magazine, prepares reports on important topics, in addition to annual reports, and provides printed and visual material to promote employee consciousness on such subjects as safety, health, savings, planned families and so on.

#### 7. **Communicating with the Press**

Large public and private undertakings are always in the news and are always under the search light of public scrutiny and attention. These large organizations are often subject matter of the press. The public opinion in India is largely influenced and molded by what is read in the newspapers. There is, of course no obligation on any organization to have any dealing with the press. But since the activities

of the companies, both public and private sectors, arouse the public interest and affect the corporate image of the organization among the public, it becomes essential for the company to have a good link with the press.

Thus in summing up, a number of tasks are performed by the public relation.

First, a business undertaking must conduct its operations in such a manner that it helps to serve itself and the society well.

Second, it must promote good faith and demonstrate its social responsibility.

Thirdly it must use its entire means to publicise what it is doing and what it plans to do.

The management should always be sensitive to political conditions, socio-economic climate, and to public opinion. The business must not hesitate to modify or change its public policy when it is decreased in the public interest.

#### **Q20. Explain briefly about personnel selling.**

*Ans :*

Personal selling is a paid form of personal advertising, where salespeople assist customers in 'satisfying their needs through a person-to-person exchange of information. It is a process of learning the needs and wants of the buyer and of striving to satisfy them with the required product or service.

Personal selling may occur within the environments of the retail store - where personal selling deals with the sales person satisfying the needs of the consumers. It may also occur outside the retail store where orders are taken from customers by way of the telephone, Internet or mail and that are then serviced.

The other tools of communication are aimed at markets or segments of the target audience. Personal selling is precise. It is aimed at a specific individual/s. Developing a strong sales force is hence an expensive proposition, as the sales person has to be trained on various aspects of communication and

understanding the body language of the customer. He also needs to be knowledgeable about the features of the products and services offered by the retailer.

#### **Q21. Explain the functions of personnel selling.**

*Ans :*

- (i) Selling goods and services to new existing customers.
- (ii) To convince the customers about the quality and uses of the product:
  - (a) By demonstration, and
  - (b) By removing the doubts and confusions of the customers about the products.
- (iii) To advise the customers on the intricacies of the products.
- (iv) To instruct the customers for the use of the product.
- (v) To maintain the record of sales and to provide after sale service to customers.
- (vi) To prepare long term and short term marketing programme.

### **4.6 RETAIL COMMUNICATION MIX**

#### **Q22. Exemplify the elements of retail communication mix.**

*Ans :*

**(July-21)**

- Communication is an integral part of the retailer's marketing strategy. Primarily, communication is used to inform the customers about the retailer, the merchandise and the services.
- It also serves as a tool for building the store image. Retail communication has moved on from the time when the retailer alone communicated with the consumers.
- Today, consumers can communicate or reach the organizations. Examples of this include toll free numbers, which retailers provide for

customer complaints and queries. Another example is the section called Contact Us on the websites of many companies.

### Retail Communication Mix

- (i) Advertising
- (ii) Sales Promotion.
- (iii) Personal Selling.
- (iv) Publicity/Public Relation.

#### (i) Advertising

- "Advertising is any paid form of non personal presentation and promotion of ideas, goods and services by an identified sponsor."
- Advertising is the form of communication intended to promote the sales of the product or services to influence the public opinion, to get political support or to advance a particular causes.

#### (ii) Sales Promotion

- According to Philip Kotler,
- "Sales Promotion consist of diverse collection of incentive tools, mostly short term designed to stimulate quicker or greater purchase of particular product or services by consumers or the trade."
- From the above definition one can understand the following characteristics of Sales Promotion
  - It is mostly short term in nature.
  - Its only objective is to promote sales quickly.
  - Sales promotion is done with channel partners as well as the customers.

#### (iii) Personal Selling

- In personal selling there is a direct contact between the buyer of the product and the seller of the product. Feedback is received very quickly and the seller can

change the message according to the needs of the consumer. This is basically used in Business to Business models.

#### (iv) Publicity

- Publicity is the important part of promotional mix. In publicity no payment is made to the publisher. Basically publicity is done in the form of:
- Product Reviews
- Discussions about the product in different forums
- In local Events
- News and Editorials
- Publicity is actually the type of non personal communication regarding the product or the service. Publicities do an important role to make the decisions of the people about any product because the one who is publicizing a product is not directly involved with the company. In publicity the product is directly criticized and/or appreciated.

### 4.7 POP DISPLAYS

**Q23. Define POP. Explain various types of POP Displays.**

*Ans :*

**(July-21, Dec.-18)**

#### Meaning

Point-of-purchase displays are printed or digital displays placed near advertised items and where customers make purchasing decisions. Unlike marketing campaigns designed to get customers in stores, POP displays focus on customers' in-store experience by bringing attention to particular brands or special offers.

#### Types of Point-of-Purchase Displays

POP displays come in many different forms. The most common types are:

**(i) Vendor Shops**

The most elaborate POP display is a vendor shop, which is essentially a “store within a store” idea where a vendor places a section in the retail store that sets its merchandise apart from the rest. Vendor shops are common amongst consumer packaged goods (CPG) companies that compete for limited shelf space in stores. Instead of just having product placement on shelves, using vendor shops allows CPG companies to bring increased attention to a particular product.

**(ii) Freestanding Displays**

Freestanding displays are standalone displays that give attention to a particular product. These displays are typically made from cardboard, so there are many ways companies can get creative with the presentation.

**(iii) Dump Bins**

Dump bins are also standalone displays, but they're not quite as organized as freestanding displays. Dump bins are larger and typically feature small, individually packaged goods, such as candy.

**(iv) Endcap Displays**

Endcap displays are placed at the end of an aisle, allowing customers to view the advertised product without going down the particular aisle. Endcap displays resemble freestanding displays in their organization, but the key difference is that freestanding displays can be placed anywhere throughout a store, endcap displays are only found at the end of aisles.

**(v) Banner Stands**

Banner stands are a type of standalone signage that can be placed throughout a store with relative ease. They are larger than most POP displays, but their mobility gives retailers flexibility in where they position them. Most POP displays will hold the physical products being advertised, but banner stands only act as signage and advertisement.

**Q24. What is strategic positioning ? How do retailers achieve it in retail marketing control ?***Ans. :***(Dec.-19)**

Strategic positioning refers to the long term designing of the company offer so that it occupies a unique and different place in the minds of the target customers.

**Achieving Strategic Positioning is Retail Marketing Context**

The following points highlights how the retail marketer could achieve strategic positioning in the marketplace,

1. The retailer can make use of the merchandising strategy where in which it would offer its target customer a huge variety of goods and services to choose from the products which are unique in nature.
2. In order to become the most competitive price leader in the market place, strategic positioning would help it to attract its price conscious customers over a long period of time.
3. Another strategic positioning strategy is for the retail marketer to become the provider of unique customer services to the large customer. Thus, they can create a market for itself in the market place.

## Short Question and Answers

### 1. Store design.

*Ans :*

Retail store design is a well-thought-out strategy to set up a store in a certain way to optimize space and sales. The way a store is set up can help establish brand identity as well as serve a practical purpose, such as protecting against shoplifting.

Retail store design is a branch of marketing and considered part of the overall brand of the store. Retail store design factors into window displays, furnishings, lighting, flooring, music and store layout to create a brand or specific appeal.

The design of the retail stores has to strive to produce an efficient layout with the qualities of ammench which will attract the right customers or target market. Few of the factors which can facilitate this are:

- i) **Using of space effectively** proper planning of territorial areas, break up store into logical sales sections and functional areas.
- ii) **Plan a productive layout** the layout be planned to encourage customers to circulate around the space and visit as many merchandise areas as possible.

### 2. Store layout.

*Ans :*

Retail store layout describes the overall look and feel of the interior of a retail store, including the placement of fixtures and products within the store. It is an important part of implementing retail store strategy. Effective layouts are designed to expose customers to the most products possible given the amount of floor space available. It is the design in which a store's interior is set up.

#### Significance

A store's layout is one of the key strategies in its success therefore, a lot of time; effort and manpower go into its design. Retailers use layout to influence customer's behavior by designing the store's flow, merchandise placement and ambiance. Layouts also help retailers understand how much

revenue per square foot they are making; using this information, they can properly assess the strengths and weaknesses in their merchandising mix.

#### i) Predict Consumer Behavior

The flow of a store's layout determines how customers shop. The longer a customer is in a store, the more likely she is to buy therefore, the goal is to keep her shopping longer. Escalator placement (arrangement of the down and up escalators), arrangement of fixtures and even the placement of departments affect the store's traffic. For example, some food retailers put necessities such as eggs and milk in the back of the store so the customer has to navigate through other merchandise to get to them. Department stores also use this strategy, putting the kids department on the top floor so that parents have to walk through other sections thus increasing the likelihood that they will purchase more.

#### ii) Maximize Square Footage

A retail space makes more money when it maximizes sales per square foot-and this can be predicted with the use of its layout. So if a specific area is lacking in sales, the retailer can rearrange merchandise to meet sales goals. The purpose is to put as much merchandise on the floor with a mix of high- to low-priced goods and fast- to slow-selling goods. For example, a high-priced flat-screen TV will be merchandised with low-priced accessories. Additionally, high- priced items might be allowed more retail space, whereas low-priced items might be stacked on a fixture to place more products on the floor.

### 3. Types of Store Layout

*Ans :*

#### (i) The Grid layout

The grid layout is the one most commonly used in supermarkets and discount stores. While one area of display is along the walls of the store, the other merchandise is displayed in a parallel manner.

**(ii) The Race Track Layout**

The race track layout is also called the loop layout. As the name suggests, the display is in the form of a racetrack or a loop, with a major aisle running through the store. The aisle provides access to various shop-in-shops or departments within the store.

**(iii) Free form Layout**

In a free form, merchandise is arranged in a symmetrical manner. It allows for free movement and is often used in department stores to encourage people to browse and shop. This type of a layout may not allow for maximum utilisation of the retail space available. The Freeform layout is illustrated in Figure.

**4. Scent Appeal**

*Ans :*

Scent appeal or smell appeal is also important, for smell is a product feature. Creation of scent appeal is almost similar to that of sound appeal. The question is how to avoid unpleasant odors and to create pleasant smells. Stale, musty, and foul odors offend everyone and are sure to create negative impressions. These unwanted odors are the outcome of inadequate ventilation, insufficient humidity control and poorly placed and maintained sanitation facilities. Contrary to this, pleasant scents or smells are the key ingredients generating an atmosphere inducing, propelling the consumers to buy.

For instance, a well-placed fan in a bakery section or candy store or food section attracts the passersby as these pleasant and aromatic smells spell bound the consumers which encourages impulse buying. Retailers of foods, flowers, perfumes and other scented products know the value of bringing the fragrance or sweet smell to the noses of consumers. It is rightly said "a store should smell like it is supposed to smell." For instance, drug store should smell clean and antiseptic. An antique store should smell a dusty, musty smell to enhance the buying atmosphere.

**5. Micro Merchandising**

*Ans :*

Draw attention to certain products in an otherwise mundane middle section of a long aisle with micro-merchandising. Accomplish this by using

a different type of shelving or fixture than the rest of the aisle or by implementing a different color scheme. Customers who would normally walk by the section without taking notice may be intrigued enough by the change of scenery to stop for further investigation.

**6. Define retail promotion.**

*Ans :*

Retail promotion is broadly defined as all communication that informs, persuades, and/or reminds the target market or the prospective segment about marketing mix of the retail firm. The retailers seek to communicate with customers to achieve a number of objectives. These objectives include increasing store traffic by encouraging new shoppers to visit the store, increasing share-of-wallet for all shoppers or specific groups among them, increasing sale of a given product or category, and developing the store image or the retail brand.

The retailers communicate with customers through many vehicles: advertising, sales promotion, publicity, and personal selling. The promotional campaigns carried out by retailers and manufacturers are different in several ways. Retailers normally have more geographically concentrated promotional campaigns than manufacturers. Very few retailers would hence use national media. For most of the retailers who want to advertise, the main avenues are vernacular television channels, vernacular newspapers, local newspapers, radio, billboards, posters, etc.

**7. Define advertising ?**

*Ans :*

Advertising can be defined as any paid form of non-personal presentation and communication through mass media. It is popularly believed that one of the main aims of advertising is to sell to a wide mix of consumers and also to induce repeat purchases. However, a retailer may use advertising to achieve any of the following objectives:

- i) Creating awareness about a product or store.
- ii) Communicate information in order to create a specific image in the customer's mind in terms of the store merchandise, price quality, benefits, etc.
- iii) Create a desire to want a product.



- iv) To communicate the store's policy on various issues.
- v) Help to identify the store with nationally advertised brands.
- vi) Help in repositioning the store in the mind of the consumer.
- vii) To increase sales of specific categories or to generate short term cash flow - by way of a sale, bargain days, midnight madness, etc.
- viii) Help reinforce the retailer's corporate identity.

### 8. Retail communication mix.

*Ans :*

- (i) Advertising
- (ii) Sales Promotion.
- (iii) Personal Selling.
- (iv) Publicity/Public Relation.

#### (i) Advertising

- "Advertising is any paid form of non personal presentation and promotion of ideas, goods and services by an identified sponsor."
- Advertising is the form of communication intended to promote the sales of the product or services to influence the public opinion, to get political support or to advance a particular causes.

#### (ii) Sales Promotion

- According to Philip Kotler,
- "Sales Promotion consist of diverse collection of incentive tools, mostly short term designed to stimulate quicker or greater purchase of particular product or services by consumers or the trade."
- From the above definition one can understand the following characteristics of Sales Promotion
  - It is mostly short term in nature.
  - Its only objective is to promote sales quickly.
  - Sales promotion is done with channel partners as well as the customers.

#### (iii) Personal Selling

- In personal selling there is a direct contact between the buyer of the product and the seller of the product. Feedback is received very quickly and the seller can change the message according to the needs of the consumer. This is basically used in Business to Business models.

#### (iv) Publicity

- Publicity is the important part of promotional mix. In publicity no payment is made to the publisher. Basically publicity is done in the form of:
  - Product Reviews
  - Discussions about the product in different forums
  - In local Events
  - News and Editorials
- Publicity is actually the type of non personal communication regarding the product or the service. Publicities do an important role to make the decisions of the people about any product because the one who is publicizing a product is not directly involved with the company. In publicity the product is directly criticized and/or appreciated.

### 9. Define POP.

*Ans :*

#### Meaning

Point-of-purchase displays are printed or digital displays placed near advertised items and where customers make purchasing decisions. Unlike marketing campaigns designed to get customers in stores, POP displays focus on customers' in-store experience by bringing attention to particular brands or special offers.

#### Types of Point-of-Purchase Displays

POP displays come in many different forms. The most common types are:

**(i) Vendor Shops**

The most elaborate POP display is a vendor shop, which is essentially a "store within a store" idea where a vendor places a section in the retail store that sets its merchandise apart from the rest. Vendor shops are common amongst consumer packaged goods (CPG) companies that compete for limited shelf space in stores. Instead of just having product placement on shelves, using vendor shops allows CPG companies to bring increased attention to a particular product.

**(ii) Freestanding Displays**

Freestanding displays are standalone displays that give attention to a particular product. These displays are typically made from cardboard, so there are many ways companies can get creative with the presentation.

**(iii) Dump Bins**

Dump bins are also standalone displays, but they're not quite as organized as freestanding displays. Dump bins are larger and typically feature small, individually packaged goods, such as candy.

**10. Functions of personnel selling.**

*Ans :*

- (i) Selling goods and services to new existing customers.
- (ii) To convince the customers about the quality and uses of the product:
  - (a) By demonstration, and
  - (b) By removing the doubts and confusions of the customers about the products.
- (iii) To advise the customers on the intricacies of the products.
- (iv) To instruct the customers for the use of the product.
- (v) To maintain the record of sales and to provide after sale service to customers.
- (vi) To prepare long term and short term marketing programme.

**11. Trade Promotion**

*Ans :*

Trade Promotion refers to marketing activities that are executed in retail between these two partners. Trade Promotion is a marketing technique aimed at increasing demand for products in retail stores based on special pricing, display fixtures, demonstrations, value-added bonuses, no-obligation gifts, and more.

Trade Promotions can offer several benefits to businesses. Retail stores can be an extremely competitive environment; trade promotions can help companies differentiate their products from the competition. Companies can utilize Trade Promotions to increase product visibility and brand awareness with consumers. Trade Promotions can also increase a product's consumption rate, or the average quantity of a product used by consumers in a given time period. Furthermore, effective Trade Promotions can enlarge a product's market segment penetration, or the product's total sales in proportion to the category's competition. Moreover, companies use Trade Promotions to improve distribution of their product(s) at retailers and strengthen relationships with retailers. Lastly, Trade Promotions can be leveraged to introduce new product launches into retail stores.

**12. Budget Allocation**

*Ans :*

The performance of a retail store depends on its ability to attract customer traffic, match labor with incoming traffic, and convert the incoming traffic into sales. Retailers make significant investments in marketing activities (such as advertising) to bring customers into their stores and in-store labor to convert that traffic into sales. Thus, a common trade-off that retail store managers face concerns the allocation of a store's limited budget between advertising and labor to enhance store-level sales. To explore that trade-off, we develop a centralized model to allocate limited store budget between store labor and advertising with the objective of maximizing store sales. We find that a store's inherent potential to drive traffic plays an important role, among other factors, in the relative allocation between advertising and store labor. We also find that as advertising instruments become more effective in bringing traffic to stores, managers

should not always capitalize this effectiveness by increasing their existing allocations to advertising. In addition, we discuss a decentralized setting where budget allocation decisions cannot be enforced by a store manager and present a simple mechanism that can achieve the centralized solution. In an extension, we address the budget allocation problem in the presence of marketing efforts to shift store traffic from peak to off peak hours and show that our initial findings are robust. Further, we illustrate how the solution from the budget allocation model can be used to facilitate store level sales force planning/scheduling decisions. Based on the results of our model, we present several insights that can help managers in budget allocation and sales force planning.

### 13. Advertising Strategy

*Ans :*

An advertising strategy can be defined as a step-by-step plan to reach your customers and to convince them to buy your products. A well-planned advertising strategy not only conveys the benefits of your product but will also persuade your customers to choose your product over the outcomes of creating an advertising strategy is a creative process. You are required to understand your business and your target audience to create an effective advertising strategy that maximises the sales of your product. In this section, you will learn about the steps that you should follow to create an effective advertising strategy for your business competitors.

### 14. Marketing Mix

*Ans :*

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

- i) **Price:** refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied

in with an overall business plan. Pricing can also be used a demarcation, to differentiate and enhance the image of a product.

- ii) **Product:** refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.
- iii) **Place:** refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for her to buy it is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is 'location, location, location'.
- iv) **Promotion:** this refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

### 15. Visual merchandizing

*Ans :*

Visual merchandising, also known as the 'silent salesman', is the science and art of suggestive selling by display and presentation. Visual merchandising focal points are located strategically to circulate the customer in the store, and communicate the features and benefits of the merchandise besides the in-store promotion in vogue. This is done by converting a passerby to a browser with an effective window display, a browser to a spender through the process of 'conversion', a spender to a big spender by increasing the 'ticket size' assisted by the process of cross-merchandising.

Retailers also use the space in the non-trading common areas in addition to the merchandise presentation space for brand promotions paid for by companies owning the brands. In the FMCG category, dealer signboards, windows and in-store space of outlets like chemists and grocers are used as point of purchase promotional areas. In the fashion retailing category, space in common areas like the building facade, staircase landings and columns are given to brands on hire at a price. These add to the revenue generated from the space and also adds value to the store ambience.

### *Choose the Correct Answers*

1. \_\_\_\_\_ layout is commonly used in super markets and discount stores [ a ]  
(a) Grid (b) Race track  
(c) Free form (d) All of the above
2. \_\_\_\_\_ layout merchandise is arranged in a symmetrical manner [ c ]  
(a) Grid (b) Race track  
(c) Free form (d) All of the above
3. POP stands for [ a ]  
(a) Point of purchase (b) Purchase of point  
(c) Both (d) None of the above
4. \_\_\_\_\_ represents the product offers and the brand image of the retailer [ a ]  
(a) Visual merchandising (b) Vertical merchandising  
(c) Promotion area (d) Color presentation
5. \_\_\_\_\_ create awareness about a product (or) store [ a ]  
(a) Advertising (b) Sales promotion  
(c) Public relations (d) Personal selling
6. \_\_\_\_\_ involves a face - to - face interaction with the consumers [ d ]  
(a) Advertising (b) Sales promotion  
(c) Public relations (d) Personal selling
7. \_\_\_\_\_ involves a variety of programs and events designed to promote [ c ]  
(a) Advertising (b) Sales promotion  
(c) Public relations (d) Personal selling
8. \_\_\_\_\_ is an integral part of the retailer's marketing strategy [ a ]  
(a) Communication (b) Innovation  
(c) Both (d) None of the above

## *Fill in the Blanks*

1. \_\_\_\_\_ is a branch of marketing and considered part of the overall brand of the store.
2. \_\_\_\_\_ describes the overall look and feel of the interior of a retail store, including the placement of fixtures and products within the store.
3. The race track layout is also called the \_\_\_\_\_ .
4. \_\_\_\_\_ refers to the plan or design or arrangement of store that is laid out.
5. \_\_\_\_\_ is the most important ingredient for any business that relies on customers.
6. \_\_\_\_\_ refers to the ways in which the store presents its merchandise for drawing the attention of the potential customers.
7. \_\_\_\_\_ technique is a bright and striking merchandise presentation technique.
8. The word Mannequin comes from the Dutch word manneken, literally meaning \_\_\_\_\_ .
9. \_\_\_\_\_ is "paid, non-personal communication through various media by business firms, nonprofit organisations.
10. \_\_\_\_\_ is "non-paid form of communications of information about the company or product, generally in some media form".
11. \_\_\_\_\_ is an integral part of the retailer's marketing strategy.
12. \_\_\_\_\_ is a marketing communications function, which aims at fostering goodwill.

### ANSWERS

1. Retail store design
2. Retail store layout
3. loop layout
4. Layout planning
5. Location
6. Visual merchandising
7. Color presentation
8. Tittle man
9. Advertising
10. Publicity
11. Communication
12. Public relations

## UNIT V

### DISTRIBUTION MANAGEMENT :

Role and functions of channels of distribution, selecting channel Members – Criteria; Motivating the Channel participants, controlling channel participant, Managing Channel Conflicts, Physical Distribution System.

#### 5.1 DISTRIBUTION MANAGEMENT

**Q1. Define Distribution. Explain different types of distribution channels.**

*Ans :*

##### Distribution

Distribution is one of the four elements of the marketing mix, the other three being product, pricing and promotion. This marketing mix is also referred to as the four Ps of marketing; distribution is here called physical distribution or place.

Simply put, distribution is the process of delivering the products manufactured or service provided by a firm to the end user. Various intermediaries are involved in this process. This chain of intermediaries which helps in transferring the product from one intermediary to the next before it reaches the end user is called the Distribution Chain or Distribution Channel.

Distribution channels are the methods that companies use to enter the consumer market with their product. While many methods exist, they have changed over the years because of the Internet and global sales.

##### Definition

A distribution channel is the method a company uses to get its products into the marketplace for consumer use. The traditional channel goes from supplier, manufacturer, distributor, wholesaler and retailer.

##### Types

Two types of distribution channels exist: indirect and direct.

#### 1. Indirect Channel

The indirect channel is used by companies who do not sell their goods directly to consumers. Suppliers and manufacturers typically use indirect channels because they exist early in the supply chain. Depending on the industry and product, direct distribution channels have become more prevalent because of the Internet.

➤ Distributors, wholesalers and retailers are the primary indirect channels a company may use when selling its products in the marketplace. Companies choose the indirect channel best suited for their product to obtain the best market share; it also allows them to focus on producing their goods.

#### 2 Direct Channel

A direct distribution channel is where a company sells its products direct to consumers. While direct channels were not popular many years ago, the Internet has greatly increased the use of direct channels. Additionally, companies needing to cut costs may use direct channels to avoid middlemen markups on their products.

➤ Selling agents and Internet sales are two types of direct distribution channels. Selling agents work for the company and market their products directly to consumers through mail order, storefronts or other means. The Internet is an easy distribution channel because of the global availability to consumers.

**Q2. What are the different forms of Channel of Distribution ?**

*Ans.:*

Every small-scale entrepreneur requires a channel that can distribute his product to the right customers at the right time and at the right cost. It consists of all the middlemen which participate in the distribution of goods and which serve as a link between the manufacturer and the consumer.

A brief explanation of different channels of distribution is given below :

**1. Manufacturer Customer**

This is also known as direct selling because no middlemen are involved. A producer may sell directly through his own retail stores, for example, Bata. This is the simplest and the shortest channel. It is fast and economical. Small producers and producers of perishable commodities also sell directly to the local consumers. Big firms adopt direct selling in order to cut distribution cost and because they have sufficient facilities to sell directly to the consumers. The producer or the entrepreneur himself performs all the marketing activities.

**2. Manufacturer - Retailer - Customer**

This is one stage distribution channel having one middleman, i.e., retailer. In this channel, the producer sells to big retailers like departmental stores and chain stores who in turn sell to customer. This channel is very popular in the distribution of consumer durables such as refrigerators, T V sets, washing machines, typewriters, etc. This channel of distribution is very popular these days because of emergence of departmental stores, super markets and other big retail stores. The retailers purchase in large quantities from the producer and perform certain marketing activities in order to sell the product to the ultimate consumers.

**3. Manufacturer - Wholesaler - Retailer - Customer**

This is the trail of distribution, namely, wholesaler and retailer. This channel is most

suitable for the products with widely scattered market. It is used in the distribution of consumer products like groceries, drugs, cosmetics, etc. It is quite suitable for small scale producers whose product line is narrow and who require the expert services and promotional support of wholesalers.

**Q3. What are the Distribution Channel Strategies ?**

*Ans.:*

**Distribution Channel Strategies**

Distribution is one of the four basic tools in the marketing mix, together with product, promotion and price. Marketers design a distribution strategy to ensure that their offering is available for purchase by target consumers when, where and in what way they wish to shop. Some key considerations include market, product, resources and intensity.

**1. Market**

The characteristics of the target market play an important role in distribution strategy. Business customers, for example, commonly expect to buy direct from a manufacturer. Household consumers are accustomed to intermediary distribution channels like wholesalers and retailers. However, individuals can differ in their shopping preferences based on age, income and other demographics. Additionally, where they live and how widely they are dispersed will help determine the most effective number and type of distribution outlets.

**2. Product**

Distribution choices must take into account the nature of the product. Typically, the more complex and/or expensive an offering, the more it will benefit from direct selling. For example, most buyers of computer systems, boats or pianos expect to interact with knowledgeable manufacturers' representatives. In contrast, household goods that have fairly standard features, low cost and a relatively

long shelf life, like shampoo, can be distributed through a wide array of stores and websites.

### 3. Resources

It is expensive for a firm to provide its own distribution facilities, like warehouses and showrooms, and to hire salespeople and support staff. In general, only companies with large marketing budgets are able to make direct distribution efficient by spreading its costs over many products. Smaller firms with limited lines and fewer resources are typically forced to rely on wholesalers, retailers and other intermediaries to fund basic distribution costs as storage, transportation and display.

### 4. Intensity

The intensity of a distribution strategy refers to the number and diversity of outlets chosen to sell a firm's products. High intensity means using as many retail and/or wholesale outlets as possible, an approach especially appropriate for low involvement, frequently purchased goods like soap or cereal. Low intensity, commonly chosen for luxury products in a form called exclusive distribution, may restrict availability to just one specialty store or manufacturer's showroom. As a middle ground, marketers may use selective distribution, making their products available through a few stores located in the same region.

#### 5.1.1 Role and Functions of Channels of Distribution

#### Q4. What are roles and functions of channel distribution?

(OR)

**Explain the role and functions of distribution channels.**

*Ans.:*

(July-21, Dec.-20)

A distribution channel, in simple terms, is the flow that a good or service follows from production or manufacturing to the final consumer/buyer.

Distribution channels vary but typically include a producer, a wholesaler, a retailer, and the end buyer/consumer. A distribution channel can also provide a sense of how money flows back from the buyers to the producer or original point of sale.

#### Role

In the present widening market, distribution channels play an important role in achieving marketing objectives of an organisation. A manufacturer creates value utility in the product or service but time and place utilities are created by distribution channels. In the words of Drucker, "both the market and the distribution channels are often more crucial than the product. They are primary, the product is secondary".

**Distribution channels help in the following ways:**

#### (i) Enhance Efficiency

The components of distribution channels enhance the efficiency of the system. A system of manufacturers directly dealing with consumers will be less efficient than the decentralised system involving distribution agents.

#### (ii) Smooth Flow of Goods and Services

The distribution channels smoothen the flow of goods and services by creating possession, time and place utilities.

#### (iii) Reducing Cost of Transactions

The cost of transactions is minimised if they are undertaken regularly. The distribution through intermediates will be possible if products are standardised. The terms and conditions of purchase, sale, payments will be standardised resulting into increased number of transactions. Instead of casual transactions, routine dealings will reduce the cost of marketing.

#### (iv) Facilitate Search

The buyers and sellers search for each other in the market to transact for products and services. This function is facilitated by



distribution agents. These intermediaries remain in touch with sellers and buyers, thus facilitate exchange.

**(v) Less Stocks of Goods**

In the absence of distribution agents manufacturers are required to keep large stocks of goods. When middlemen enter the chain of distribution then stocks are maintained by large number of intermediaries and it reduces the burden of producers.

**(vi) Proximity to Consumers**

The intermediaries are more near to the consumers as compared to the producers. They are in direct touch with the users of goods and services and understand their reactions to the supplies. The intermediaries help producers in knowing the reactions of consumers to the goods and services brought out by them. This information is of immense value to producers in planning for their products.

**Functions**

The main functions performed by the distribution channels can be divided into following categories:

**(i) Transactional Functions**

These functions relate to the various transactions performed for moving the goods from one channel end to other. It includes functions like buying, selling and risk bearing. These functions are performed by channel members. The goods are sold by the producer or manufacturer to various intermediaries who in turn sell it to the ultimate consumer. Movement of goods also include change in the title of goods from one to another.

**(ii) Logistical Functions**

These include functions like assembling, storage, grading and transportation for physical movement of the goods from one place to another. It is very necessary that the goods are properly assorted and stored at the

right place. Channel members have to ensure that stored goods are transported at right time, so that it is made available to the consumers.

**(iii) Facilitating Functions**

These functions facilitate the performance of different functions by the channel members. With these functions, activities by the channel members can be performed smoothly. It includes financing, credit facilities, after-sale services, maintenance, etc. Purchase of most of the goods these days are accompanied by various services like loan facility, credit facilities, free servicing, etc. which facilitates the channel members.

**Q5. What are the advantages and disadvantages of a distribution channel?**

*Ans :*

**Advantages**

When a customer is considering buying a product he tries to access its value by looking at various factors which surround it. Factors like its delivery, availability etc. which are directly influenced by channel members. Similarly, a marketer too while choosing his distribution members must assess what value is this member adding to the product. He must compare the benefits received to the amount paid for using the services of this intermediary. These benefits can be the following:

**1. Cost Saving**

The members of distribution channel are specialized in what they do and perform at much lower costs than companies trying to run the entire distribution channel all by itself.

**2. Time Saving**

Along with costs, time of delivery is also reduced due to efficiency and experience of the channel members. For example if a grocery store were to receive direct delivery of goods from every manufacturer the result would have been a chaos. Everyday hundreds of trucks would line up outside the store to deliver products.

The store may not have enough space for storing all their products and this would add to the chaos. If a grocery wholesaler is included in the distribution chain then the problem is almost solved. This wholesaler will have a warehouse where he can store bulk shipments. The grocery store now receives deliveries from the wholesaler in amounts required and at a suitable time and often in a single truck. In this way cost as well as time is saved.

### 3. Customer Convenience

Including members in the distribution chain provides customer with a lot of convenience in their shopping. If every manufacturer owned its own grocery store then customers would have to visit multiple grocery stores to complete their shopping list. This would be extremely time-consuming as well as taxing for the customer. Thus channel distribution provides accumulating and assorting services, which means they purchase from many suppliers the various goods that a customer may demand. Secondly, channel distribution is time saving as the customers can find all that they need in one retail store and the retailer

### 4. Customers can buy in small quantities

Retailers buy in bulk quantities from the manufacturer or wholesaler. This is more cost effective than buying in small quantities. However they resell in smaller quantities to their customers. This phenomenon of breaking bulk quantities and selling them in smaller quantities is known as bulk breaking. The customers therefore have the benefit of buying in smaller quantities and they also get a share of the profit the retailer makes when he buys in bulk from the supplier.

### 5. Resellers help in boosting sales

Resellers often use persuasive techniques to persuade customers into buying a product thereby increasing sales for that product. They

often make use of various promotional offers and special product displays to entice customers into buying certain products.

### 6. Customers receive financial support

Resellers offer financial programs to their customers which makes payment easier for the customer. Customers can buy on credit, buy using a payment plan etc.

### 7. Resellers provide valuable information

Manufacturers who include resellers for selling their products rely on them to provide information which will help in improving the product or in increasing its sale. High-level channel members often provide sales data. On all other occasions the manufacturer can always rely on the reseller to provide him with customer feedback.

### Disadvantages

#### 1. Revenue loss

The manufacturer sells his product to the intermediaries at costs lower than the price at which these middlemen sell to the final customers. Therefore the manufacturer goes for a loss in revenue.

The intermediaries would never offer their services to the manufacturer unless they made a profit out of selling his products. They are either made a direct payment by the manufacturer, for instance shipping costs or as in the case of retailers by selling the product at costs higher than the price at which the product was bought from the manufacturer (also known as markup). The manufacturer could have sold at this final price and made a greater profit if he had been managing the distribution all by himself.

#### 2. Loss of Communication Control

Along with loss over the revenue the manufacturer also loses control over what message is being conveyed to the final customers. The reseller may engage in

personal selling in order to increase the product sale and communicate about the product to his customers. He might exaggerate about the benefits of the product this may lead to miscommunication problems with end users. The marketer may provide training to the salespersons of retail outlets but on the whole he has no control on the final message conveyed.

### 3. Loss of Product Importance

The importance given to a manufacturer's product by the members of the distribution channel is not under the manufacturer's control. In various cases like transportation delays the product loses its importance in the channel and the sales suffer. Similarly a competitor's product may enjoy greater importance as the channel members might be getting a higher promotional incentive.

## 5.2 SELECTING CHANNEL MEMBERS—CRITERIA

### Q6. Selecting channel members is crucial in distribution management? Discuss.

*Ans.:*

Channel selection decisions are frequently necessary even when channel structure changes have not been made. Firms may need additional outlets to allow for growth or to replace channel members that have left the channel.

Channel design is presented as a decision faced by the marketer.

As a general rule, the greater the intensity of distribution, the less emphasis on selection.

If a firm's emphasis is to ensure intensive distribution, those intermediaries selected are often selected only on their basis of the probability of paying their bills. On the other hand, if channel structure stresses more selective distribution, the prospective members should be much more carefully scrutinized and selection decisions become more critical.

### The Selection Process

Three steps are involved:

1. Finding prospective channel members.
2. Applying selection criteria to determine the suitability of prospective channel members.
3. Securing the prospective channel members as actual channel members.

### Finding Prospective Channel Members

The most important sources for finding channel members are listed below in their order of importance.

1. Field sales organizations
2. Trade sources
3. Reseller inquiries
4. Customers
5. Advertising
6. Trade shows
7. Other sources

#### 1. Field Sales Organizations

Company salespeople are in the best position to know potential channel members, usually better than anyone else in the firm. Companies may not adequately reward salespeople for their efforts in finding potential channel members.

#### 2. Trade Sources

Trade sources such as trade associations, trade publications, directories, trade shows, and the "grapevine" are all valuable sources of information about prospective members.

#### 3. Reseller Inquiries

Many firms learn about potential channel members through direct inquiries from intermediaries handling their products.

#### 4. Customers

Customers of prospective intermediaries can be a source of information. Using informal

or formal surveys of the views of customers, a firm may well be able to gain insights about the strengths and weaknesses of a prospective channel member from the *customer's (end user)* point of view.

#### 5. Advertising

Advertisements in trade publications offer another approach to finding channel members.

#### 6. Trade Shows

Trade shows or conventions can be a very fruitful source for finding potential channel members. Many trade associations, at the industrial and retail levels, hold annual conventions at which numerous representatives from the various organizations are represented.

#### 7. Other Sources

Some firms also find the following sources helpful in locating prospective members.

- (a) Chamber of commerce, banks, and local real estate dealers
- (b) Classified telephone directories or yellow pages
- (c) Direct-mail solicitations
- (d) Contacts from previous applications
- (e) Independent consultants
- (f) List brokers that sell lists of names of businesses
- (g) Business databases
- (h) The Internet

#### 5.2.1 Criteria

#### Q7. Explain various criteria for selecting channel members.

(OR)

**Explain the criteria for selecting channel partner for consumer durable products.**

*Ans :*

(July-19, Imp.)

#### Step-1: The Decision Areas

For the selection of channel, the decisions should be made on the basis of the answers to the following questions,

#### (a) What Extent of Directness Must the Organization's Channel Structure Have?

This indicates that the decision should be taken based on the number of levels of intermediaries in the system.

#### (b) What kind of middlemen are to be taken into consideration?

The three types of middlemen are wholesalers, retailers and facilitating intermediaries. Wholesalers may be agent wholesalers and merchant wholesaler and retailers may be store-retailers or non-store retailers.

#### (c) How many channels are required to be set up for a specific product?

This means the number of various patterns to be used for distributing to the final multiple distribution pattern or market-dual distribution pattern.

#### (d) How selective must be the distribution channel?

This refers to making a decision regarding how many, few or only one middlemen to be used at a specific level in a particular geographical area. It also involves the decision of how selective, intensive or exclusive the distribution channel should be.

#### (e) How will the middlemen be selected to fill the created slots?

In intensive distribution, the company use a large number of middlemen. The selective or exclusive distribution employs a selected number of middlemen as the middlemen should fit into the total marketing strategy of manufacturer.

**Step-2: The Guidelines**

It is essential to answer the above five decision questions within the framework of objectives such as

- (i) maximizing sales
- (ii) minimizing cost
- (iii) maximizing channel growth and
- (iv) maximizing channel control.

The first two objectives will lead to maximization of profit. The decisions that can maximize sales are also likely to increase cost and some decisions may minimize cost but they tend to decrease sales. The company should aim at profit maximization in long-term. For this purpose, the channel selector should identify that some selection decisions may minimize or maximize channel control. In the similar manner, few decisions may minimize or maximize channel control.

**Step-3: The Determinants**

The optimal selection depends on the determinants i.e.,

- (i) the market
- (ii) the marketing mix
- (iii) the environment and
- (iv) the resources.

The channel selection decision is affected by the density of market, its buying motives, its size and patronage habits. The greater the market density, the more are the chances that a channel is direct and selective. The greater the total size of market, the more likely it is that a channel should be intensive, multiple and direct. In channel decisions, the consumer buying motives and patronage habits are taken into consideration for taking decisions regarding discount stores, chain stores, convenience stores, speciality stores etc in the distribution channel.

The various other factors that influence channel decisions include product features, pricing, physical distribution, promotion etc.

**Step-4: Quantifying the Options**

The costs of distribution include selling expense, advertising expense, administrative expense and physical distribution expense. A figure designated as "contribution to profit and overhead" can be obtained when the total distribution cost and costs of goods sold are subtracted from the sales revenue of manufacturer. This figure is helpful in selecting a right channel structure.

**Step-5: The Channel Selection Decision**

To select the most appropriate channel structure as to adopt to the marketing environment, the above four stages must be taken into account. The final selection should consider the different profit contributions and a comparison of overall company return-on-investment.

**Step-6: Review and Evaluation of Channel Effectiveness**

Even after considering all the factors of channel selection, the structure of distribution channel may tend to change due to the changes in influencing factors. Therefore, the marketer should review and evaluate the channel decisions which were made earlier and accordingly modify the structure of distribution channel to deal with the changes taking place in the environment.

**5.3 MOTIVATING THE CHANNEL PARTICIPANTS**

**Q8. Discuss the motivation and control of channel participation in retail management.**

*Ans :* (July-21, Imp.)

**Channel management:** "The administration of existing channels to secure the cooperation of channel members in achieving the firm's distribution objectives."

- First, channel management deals with existing channels. Channel design decisions are therefore viewed as separate from channel management decisions.
- Secondly, the phase secure the cooperation of channel members implies that channel members do not automatically cooperate

merely because they are members of the channel. Administrative actions are necessary to secure their cooperation.

- Third, the term distribution objectives is equally relevant for channel management. Carefully delineated distribution objectives are needed to guide the management of the channel.

One of the most fundamental and important aspects of channel management is motivating the channel members.

**Motivation:** Refers to the actions taken by the manufacturer to foster channel member cooperation in implementing the manufacturer's distribution objectives.

There are three basic facets involved in motivation management:

1. Finding out the needs and problems of channel members.
2. Offering support to the channel members that is consistent with their needs and problems.
3. Providing leadership through the effective use of power.

#### **Finding Out the Needs and Problems of Channel Members**

Before the channel manager can successfully motivate channel members, an attempt must be made to learn what the members want for the channel relationship.

Manufacturers are often unaware of or insensitive to the needs and problems of their channel members.

#### **1. Approaches for Learning about Channel Member Needs and Problems**

All marketing channels have a flow of information running through them as part of the formal and informal communications systems that exist in the channel.

Ideally, such systems would provide the manufacturer with all of the information

needed on channel member needs and problems. However, most marketing channel communication systems have *not* been formally planned and carefully constructed to provide a comprehensive flow of timely information.

Consequently, the channel manager should not rely solely on the regular flow of information coming from the existing channel communication system for accurate and timely information on channel member needs and problems.

There is a need to go beyond the regular system and make use of one or all of the following four additional approaches.

#### **A) Research Studies of Channel Members**

Most manufacturers never conduct research of channel member needs and problems. Estimates indicate that less than *one* percent of manufacturers' research budgets are spent on channel member research.

#### **B) Research Studies by Outside Parties**

Research designed and executed by a third party is sometimes necessary if complete and unbiased data on channel member needs and problems are to be obtained.

The use of outside parties to conduct research on channel member needs and problems provides higher assurance of objectivity.

#### **C) Marketing Channel Audits**

The basic thrust of this approach should be to gather data on how channel members perceive the manufacturer's marketing program and its component parts, where the relationships are strong and weak, and what is expected of the manufacturer to make the channel relationship viable and optimal.

For example, a manufacturer may want to gather data from channel members on what their needs and problems are in areas such as:

- Pricing policies, margins, and allowances
- Extent and nature of the product line
- New products and their marketing development through promotion
- Servicing policies and procedures such as invoicing, order dating, shipping, warehousing and others
- Sales force performance in servicing the accounts

Further, the marketing channel audit should identify and define in detail the issues relevant to the manufacturer–wholesaler and/or manufacturer–retailer relationship.

Whatever areas and issues are chosen, they should be cross-tabulated or correlated as to kind of channel members, geographical location of channel members, sales volume levels achieved, and any other variables that might be relevant.

Finally, for the marketing channel audit to work effectively, it must be done on a periodic and regular basis so as to capture trends and patterns. Emerging issues are more likely to be spotted if the audit is performed on a regular basis.

#### D) Distributor Advisory Councils

Three significant benefits emerge from the use of a distributor advisory council. First, it provides *recognition for the channel members*. Second, it provides a vehicle for *identifying and discussing mutual needs and problems* that are not transmitted through regular channel information flows. And third, it results in an overall *improvement of channel communications*, which in turn helps the manufacturer to learn more about the needs and problems of channel members, and vice versa.

#### Offering Support to Channel Members

Support for channel members refers to the manufacturer's efforts in helping channel members to meet their needs and solve their problems. Such

support for channel members is all too often offered on a disorganized and ad hoc basis.

The attainment of a highly motivated cooperating "team" of channel members in an interorganizational setting requires carefully planned programs.

Such programs can generally be grouped into one of the following three categories:

- (1) Cooperative,
- (2) Partnership or strategic alliance, and
- (3) Distribution programming.

#### 1. Cooperative Arrangements

Cooperative arrangements between the manufacturer and channel members at the wholesale and retail levels have traditionally been used as the most common means of motivating channel members in conventional, loosely aligned channels.

The underlying rationale of all such cooperative programs, from the manufacturer's point of view, is to provide incentives for getting extra effort from channel members in the promotion of the products.

#### 2. Partnerships and Strategic Alliances

Partnerships or strategic alliances stress a continuing and mutually supportive relationship between the manufacturer and its channel members in an effort to provide a more highly motivated team, network, or alliance of channel partners.

Webster points to three basic phases in the development of a "partnership" arrangement between channel members.

- An explicit statement of policies should be made by the manufacturer in such areas as product availability, technical support, pricing and any other relevant areas.
- An assessment should be done of all existing distributors as to their capabilities for fulfilling their roles.

- The manufacturer should continually appraise the appropriateness of the policies that guide his or her relationship with channel members.

Webster's basic guidelines can be used for establishing partnerships or strategic alliances in marketing channels.

### 3. Distribution Programming

**Definition:** Distribution programming: "A comprehensive set of policies for the promotion of a product through the channel."

The essence of this approach is the development of a planned, professionally managed channel.

The first step in developing a comprehensive distribution program is an analysis by the manufacturer of marketing objectives and the kinds and levels of support needed from channel members to achieve these objectives.

Further, the manufacturer must ascertain the needs and problem areas of channel members.

Nevertheless, virtually all of the policy options available can be categorized into three major groups:

- Those offering price concessions to channel members
- Those offering financial assistance
- Those offering some kind of protection for channel members

#### Providing Leadership to Motivate Channel Members

Control must still be exercised through effective leadership on a continuing basis to attain a well-motivated team of channel members.

Seldom is it possible for the channel manager to achieve total control, no matter how much power underlies his or her leadership attempts. For the most part, a theoretical state, where the channel manager

were able to predict all events related to the channel with perfect accuracy, and achieve the desired outcomes at all times, does not exist or is not achievable in the reality of an interorganizational system such as the marketing channel.

Little explained succinctly the problems of achieving very high levels of control and leadership in this interorganizational setting when he said:

"Because firms are loosely arranged, the advantages of central direction are in large measure missing. The absence of single ownership, or close contractual agreements, means that the benefits of a formal power (superior, subordinate) base are not realized. The reward and penalty system is not as precise and is less easily affected. Similarly, overall planning for the entire system is uncoordinated and the perspective necessary to maximize total system effort is diffused. Less recognition of common goals by various member firms in the channel, as compared to a formally structured organization, is also probable."

#### Q9. What are the motivational tools and control areas for a distribution?

*Ans.:*

##### Motivational Tools

Every producer or a manufacturer have different skills for managing their distributors. Similar is the case with each distributor. But in order to motivate a distributor, the following motivational tools can be used, that have an impact on their decision making skills and behaviours.

#### 1. Reward as a Motivational Tool

The producer offers additional benefits to the distributors such as increased commission, granting of exclusive territories and different promotional allowances. Such rewards are found to be effective and helps in increasing the efficiency of distributors. Rewards serve as the common motivational tool for distributors.

#### 2. Coercion as a Motivational Tool

This is a forceful tool helps the producer in creating a pressure on the distributor so as to



deliver efficient performance. If the distributor fails to perform, the producer will punish the distributor by imposing unfavorable actions against him such as elimination of rewards, reduction in the amount of product deliveries and reduction in their profit margins.

### 3. Expertness as a Motivational Tool

For distributors, the producer acts as an expert as he tends to possess special knowledge, which always attracts the distributors of the markets. However, sharing of such knowledge reduces the power of the producer. Therefore, the producer is required to develop new expert knowledge so as to remain in market demand. In order to keep expertness for a long duration, the producer opts for the best option available with him. Some of the options include,

- i) Share only the basic knowledge which is required by the distributor and retain the most significant form of knowledge with himself so as to create dependency.
- ii) Collecting information on market trends threats and opportunities is also by himself represents another option available. However, it is found to be very much expensive.
- iii) The distributors may be asked to invest a particular amount for the certain expert services which couldn't be transferred to other product or service.
- iv) The distributors may be asked to acquire information when needed.

### 4. Brand Image as a Motivational Tool

The producer may have a brand image, recognition and reputation in the market, which is also considered as the motivator for distributors. Once the distributors are attached with such a producer they tend to improve their performance and efficiency.

### 5. Legitimacy as a Motivational Tool

The producer usually holds the decision making authority over the distributors. Such

an authority persists until the distributors feel that the producer is legitimate. Exercising of such powers may result in enhancement of another power base or the opposite may happen. Therefore, such powers must be exercised carefully by even considering the environmental conditions.

### Control Areas

To exercise control over the distributor, a proper control system should be established. This control system should cover the following areas for exercising effective control.

- It should state the objectives that are to be achieved in the starting and ending period.
- The amount of sales to be made by the distributors and amount of products to be supplied to them for the achievement of the desired and set objectives. The price at which the product is to be marketed.
- The terms, price and discounts at which the product will be supplied to the distributor by the producer.
- The market share of producers and distributors.
- The different levels of sales and the amount of selling staff required.
- A schedule stating the amount of training to be provided by the producer and its duration for which is has to be provided.
- The various promotional materials, campaigns etc. that must be undertaken by the producer and distributor.
- Defining inventory/logistics actions that should be taken by the producer.
- Setting-up a calendar for reviewing the affect of I key events.
- Finally, undertaking regular supervision and review sessions to ensure that the performance is in accordance with the set objectives. Producers must make corrective actions whenever, they are required.

**Q10. Design the channel mix of automobile spare parts.***Ans :***(Imp.)**

The distribution channel mix for automobile spare parts which are required by retail automobile store owners is highly inter related and complex. Let us understand the channel mix for automobile spare parts for Toyota incorporation, which is a major global manufacturer of automobiles,

VMI stands for Vendor Managed Inventory. It is a method for enhancing the productivity of distribution channel mix wherein the supplier is accountable for retaining the retailer's inventory level in each unit of its warehouse. EDI (Electronic Data Interchange) holds a significant role in the VMI system. The data on the sales volume and stocks is supplied to the supplier by the retailer by mostly making use of EDI or any other Business to Business partnership (B2B) facilities and the vendor makes the purchasing order on the basis of the already set up inventory levels and fill rates.

The supplier is accountable for making and taking care of the stock schedules for the retailer. The supplier communicates and informs the retailer through shipment notices about the goods before sending them to the retailer's storehouse. As soon as the goods get delivered to the retailer, the retailer matches the goods with the receipt and makes payment by their accounts payable system. Few organizations have been implementing VMI successfully. JIT (Just-In-Time), ECR (Efficient Consumer Response) are more or less similar in nature.

**5.4 CONTROLLING CHANNEL PARTICIPANT****Q11. Explain the various methods for controlling channel participant***Ans :*

The motivated channel members put all their required efforts for the distribution of products and for increasing the sales, but there is no guarantee that all their efforts would be effective in moving

towards the right direction. Hence, the company needs to control the channel members so that they can follow and implement the marketing strategies more effectively.

The various methods adopted to control the channel members are as follows,

1. In order to standardize the procedure of the products about the handling, territory and customers to be,
  - (a) For standardizing the procedures of product handling, maintenance of inventory, specifying the market working norms the channel members need to enter into an agreement with the company.
  - (b) For controlling the functioning of the channel members, structure must be established which : includes budgets, records and reports.
  - (c) For managing and controlling the channel members, power bases are used.
2. The usage of power should be directed by the extent of dependence of channel members on each other.
3. The structure which entails reports, records and working within budget for controlling the cost should be kept in place to practice control mechanisms.
4. Finally, the control can be confirmed when the company's field manager and channel partner works closely in the market place.

Channel control is needed to improve the performance of the channel system so that the resources can be optimally allocated and utilized thereby maintaining sound cooperation between the channel partners.

Certain experts stated that when channel members follow the strategies and accept the orders as placed by the principal channel without any queries against it, then it leads to the establishment of a "zone of indifference".

The channel members follow the strategies till the benefits become higher than the sacrifices made by them. However, such continuity would be broken if the tolerance level exceeds beyond certain limits. Once it has surpassed the tolerance limits, the control of channel members begin to decline leading to the emergence of conflicts among the channel partners.

At this stage, increased control over the channel members makes them to try for the companies which are offering more remuneration.

The channel leader or the principal channel refers to the most powerful and authoritative of all the channel members.

Whereas, in a contracted channel, the channel principal is the manufacturer who selects his distributors and it is the biggest player in the industry with all the assets or large sales.

Channel leader is the organization which,

- Formulates and design the channel objectives
- Allocate resources together for the attainment of the formulated objectives.
- Construct the channel system from the beginning.
- Integrates the activities of all the channel members.

### 5.5 MANAGING CHANNEL CONFLICTS

**Q12. Define channel conflict. Explain different types of channels conflicts.**

*Ans :* (July-21, Imp.)

#### Meaning

Channel conflict can be explained as any dispute, difference or discord arising between two or more channel partners, where one partner's activities or operations affect the business, sales, profitability, market share or similar goal accomplishment of the other channel partner.

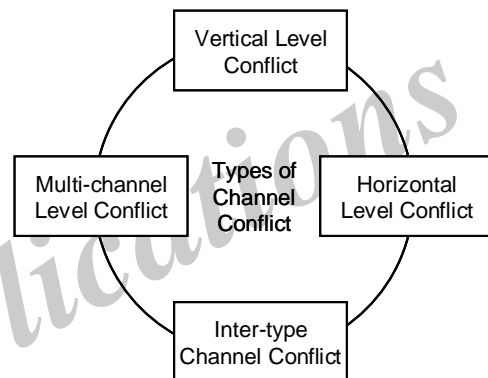
As we know that every manufacturing company needs to plan its distribution and marketing

channel appropriately, to ensure market captivity and customer satisfaction along with growth and profitability.

In the process of the constant supply of products in the market, several channel partners and intermediaries join the supply chain of the brand. Any clash and disturbance among these trading partners can be considered as a channel conflict.

#### Types

The channel conflict can be classified majorly into the following four categories depending upon its flow and the parties involved:



**Fig. : Types of Channel Conflict**

#### 1. Vertical Level Conflict

In the vertical level conflict, the channel partner belonging to a higher level enters into a dispute with the channel member of a lower level or vice-versa.

For instance, channel conflict between dealers and retailers or wholesalers and retailers.

#### 2. Horizontal Level Conflict

The conflict among the channel partners belonging to the same level, i.e., issues between two or more stockists or retailers of different territories, on the grounds of pricing or manufacturer's biases, is termed as horizontal level conflict.

#### 3. Inter-type Channel Conflict

These type of conflicts commonly arise in scrambled merchandising, where the large

retailers go out of their way to enter a product line different from their usual product range, to challenge the small and concentrated retailers.

#### 4. Multi-channel Level Conflict

When the manufacturer uses multiple channels for selling the products, it may face multi-channel level conflict where the channel partners involved in a particular distribution channel encounters an issue with the other channel.

### Q13. What are the various causes and consequences of channel conflict?

*Ans :*

#### Causes

Following are some of the key reasons for which the organizations need to face channel conflict:

#### 1. Role Ambiguity

The uncertain act of an intermediary in a multi-channel arrangement may lead to disturbance in the channel of distribution and cause conflict among the intermediaries.

#### 2. Incompatible Goals

When the manufacturer and the intermediaries do not share the same objectives, both work in different directions to meet their ends, this results in channel conflict.

#### 3. Marketing or Strategic Mis-Alignment

Sometimes, two-channel partners promote the manufacturer's product in a different manner, which created two different images of the same product in the consumers' mindset, which creates conflicting brand perception.

#### 4. Difference in Market Perception

The manufacturer's understanding of the potential market and penetration into a specific region or territory, may vary from the

perception of the intermediaries, which can create conflict and reduce the intermediary's interest in capturing that particular market.

#### 5. Change Resistant

When the channel leader plans to modify the distribution channel, the intermediaries may or may not accept this change. Thus, it may result in a condition of discord or non-cooperation.

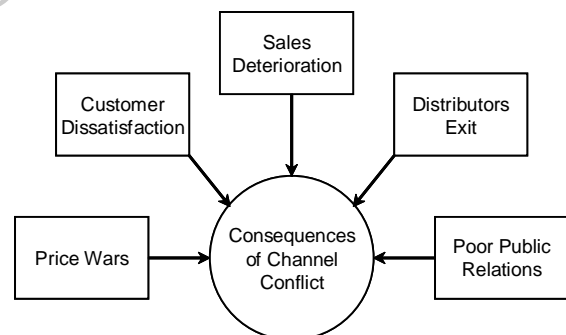
#### 6. Improper Geographic or Demographic Distribution

If the sales territory has a narrow consumer base, and the channel leader allows many selling partners, they tend to lose interest soon because of low profit and limited sales.

#### Consequences

Now that we know about the causes of such conflicts, we must also understand how dangerous these may prove to be for an organization.

Given below are some of these outcomes:



#### 1. Price Wars

Due to channel conflict, the partners compete with each other on the grounds of price, and therefore, the consumer may defer the purchase searching for the best deal.

#### 2. Customer Dissatisfaction

If there exists a channel conflict, then the distributors or retailers may show much interest in the company's products and resist to assist the consumers, which results into their resentment towards the brand.

### 3. Sales Deterioration

Conflicts can adversely affect the sales of the products due to the decline in distributors' interest and an increasing number of consumers shifting to competitors' products.

### 4. Distributors Exit

For the manufacturers, it is essential to retain the distributors or partners to increase product sales. When there is a channel conflict, the chances of various distributors leaving the channel increases.

### 5. Poor Public Relations

The unsatisfied distributors may negatively publicize the brand and its products as a result of manufacturer's unhealthy public relations with them.

**Q14. Explain the steps to be taken to minimize and solve conflicts among the channel members.**

(OR)

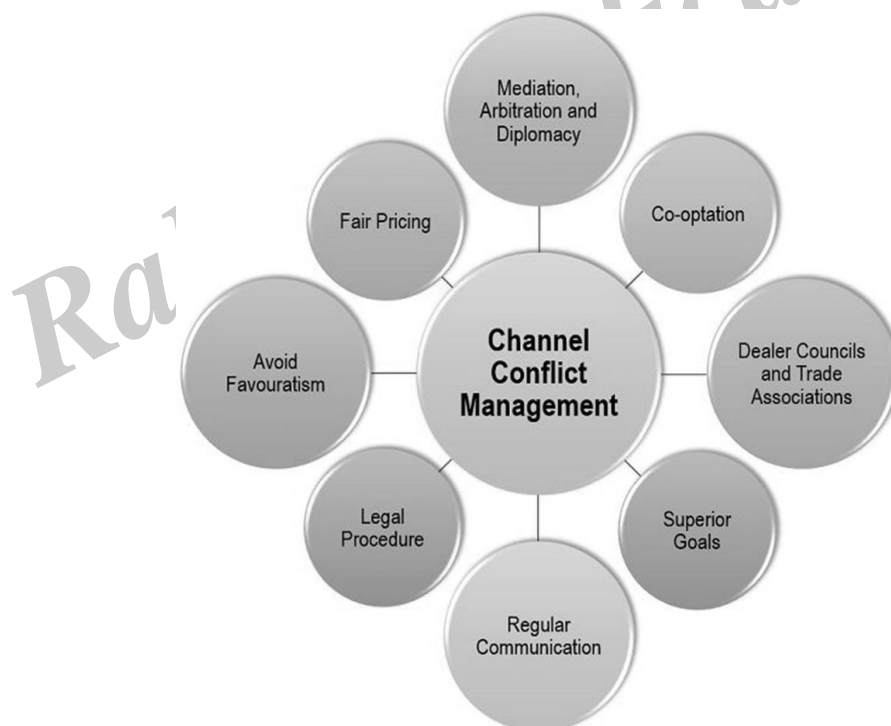
**How do you manage channel conflicts in retailing? Discuss in detail?**

*Ans :*

(Dec.-18, Imp.)

It is a universal fact that the conflicts cannot be eliminated, though these can be handled smartly to reduce its negative impact on business.

Following are some of the ways to manage the channel conflicts:



**Fig. : Channel Conflict Management**

### 1. Mediation, Arbitration and Diplomacy

To resolve a dispute, the manufacturer can adopt the strategy of intervention where a third person intervenes to create harmony. The other option is arbitration, where an arbitrator listens to

the argument of the parties involved in a conflict and declares a decision. Or, the parties can resort to diplomacy where the representatives of both the parties converse and find a solution.

## 2. Co-optation

The manufacturer should hire an expert who has already gained experience in managing the channel conflicts in other organizations, as a member of the grievance redressal committee or board of directors, for addressing such conflicts.

## 3. Dealer Councils and Trade Associations

To handle the horizontal or vertical conflicts, the manufacturer forms a dealer council where the dealers can unanimously put up their problems and grievances in front of the channel leader. To bring in unity among the channel partners or intermediaries, they can be added as members in trade association which safeguards their interest.

## 4. Superior Goals

Establishing a supreme goal of the organization and aligning it with the individual goals or objectives of the channel partners, may reduce the channel conflicts.

## 5. Regular Communication

The channel leader should take regular feedback from the channel partners through formal and informal meetings to know about market trends and dynamics. Also, the channel partner's issues and conflicts can be addressed through frequent interactions.

## 6. Legal Procedure

When the conflict is critical and uncontrollable by the channel leader, the aggrieved party can seek legal action, by filing a lawsuit against the accused party.

## 7. Fair Pricing

Most of the channel conflicts are a result of the price war, and therefore, these can be resolved by ensuring that products are equally priced in all the territories and a fair margin is provided to the channel partners.

### Channel Conflict Example

The world-renowned brand '*Samsung Electronics*', faced a multi-channel level conflict in its Indian market in the year 2020. The company was selling its products (especially mobiles) through multiple channels, i.e., via offline mode and online mode.

The offline channel partners raised the issue that the e-retailers are providing high discounts to attract more and more customers, which had ultimately affected the offline sale of the product.

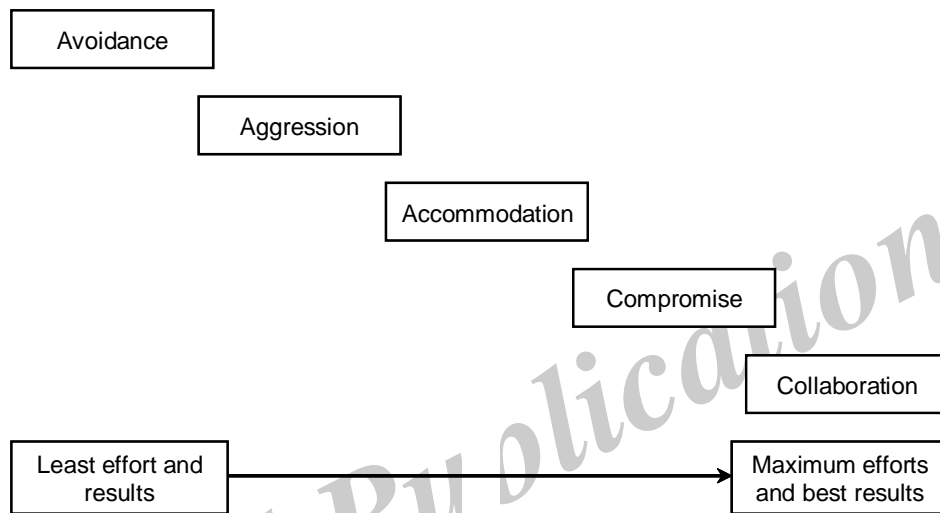
Due to this, many retailers and distributors in the offline market, distance themselves from the brand and its products.

To address this issue and retain its offline distributors and retailers, Samsung provided the right to sell forty-eight models of its brand exclusively through the offline distribution channel, thus, re-energizing the brick-and-mortar channel partners.

**Q15. State the various stages of channel conflicts.***Ans :*

The business has to go on successfully. If conflicts happen, they have to be accepted and resolved so that the channel continues to deliver superior customer service. There are several ways companies have developed, with experience, to resolve channel conflicts.

Conflict solutions can be standardised in environments where the principal is operating with channel members on contract to ensure fairness and equity. In instances where the conflict arises between channel partners who are not bound by contracts or agreements of any kind, the conflict resolution is guided by best past practice!

**Figure: Styles of Conflict Resolution****Styles****1. Accommodation**

a situation of complete surrender. One party helps the other achieve its goals without being worried about its own goals. Obviously this method strengthens the relationship. The emphasis is on full co-operation and could result in the other party also becoming flexible in its approach. If not handled properly, it could result in exploitation of the benevolent situation. On the other extreme, it can lead to exploitation of the party willing to be accommodative.

**2. Collaboration or problem solving**

this route tries to maximise the benefit for both parties while finding a solution to the dispute - a win-win approach. This approach requires a lot of time and effort to succeed. Both sides should be prepared to share sensitive information for this approach to work.

**3. Compromise**

a solution where both parties agree to give up some of their requirements and find a mid-way solution. Can only work with small and not so serious conflicts.

**4. Competition or aggression**

this means being concerned about one's own goals without any thought for the others - a purely selfish style. Long term results could only be detrimental to the system.

**5. Avoidance**

used by weak channel members. This can only happen where the relationship is not of much importance and the problem is postponed or discussion is avoided. As there is no serious effort on getting anything done, conflict is avoided.

The styles are a combination of assertiveness and being cooperative.

**Q16. Explain the legal and ethical issues of channel conflict.**

*Ans.:*

Law always safeguards the interests of the weaker partner in any dispute. The company dealers and distributors have protection under the law. While the company and its channel partners may want go the legal way only as a last resort, it is necessary to know some of the legal issues and what they suggest by way of conflict resolution:

- Use of exclusive dealers by companies is not permitted. The company cannot bind the distributor from doing any business of his choice.
- Similarly, the company cannot formally designate the 'territory' to be covered by a contracted channel member. This protects both the company (who can appoint more dealers in the same area) and the channel member who can sell beyond his 'designated' territory.
- Full-line forcing is not legally permitted. The company cannot force the dealer or a retailer that if he wants a popular product, he has to also buy a slow moving product.
- Termination of contracted distributors for poor performance is not easy even when it is mentioned in the contract/agreement. The cause has to be clearly established. Non-performance cannot be easily proved if the dealer challenges the target and the target setting process itself.

**5.6 PHYSICAL DISTRIBUTION SYSTEM****Q17. Define and explain the meaning of physical distribution system.**

*Ans.:* (Dec.-20, Dec.-18, Imp.)

**Definition**

- (i) **According to Wendell M. Smith** – "Physical distribution is the science of Business Logistics where by the proper amount of the right kind of product is made available at the place where demand for it exists. Viewed in this light, physical distribution is key link between manufacturing and demand creation."
  - (ii) **According to W.J. Stanton** – "Physical distribution involves the management of the physical flow of products and the establishment and operation of flow system."
  - (iii) **According to Cundiff and Still** – "Physical distribution involves the actual movement and storage of goods after they are produced and before they are consumed".
  - (iv) **According to Mc Carthy** – "Physical distribution is the actual handling and moving of goods within individual firms and along channel system."
  - (v) **According to Philip Kotler**, physical distribution "involves planning, implementing and controlling the physical flows of materials and final goods from place of production to the place of end use to satisfy buyers' needs."
- It is concluded from the definitions that:
- (i) Physical distribution is science of logistics.
  - (ii) Physical distribution is the main mid-link between manufacturing and creation of demand.
  - (iii) Physical distribution is a management of flow of commodity and flow arrangement simultaneous to distribution channel of the commodities of company and inside the firm/company.



- (iv) Physical distribution is related to the receipt of proposed and manufactured commodities, collection, and material handling storage, transportation, packaging and inventory control etc., functions.

Physical distribution is an important marketing function describing the marketing activities relating to the flow of raw materials from the suppliers to the factory and the movement of finished goods from the end of production line to the final consumer or user. Marketing agencies such as dealers, merchants and mercantile agents manage the flow of goods and perform the function of physical supply—right up to the consumer's homes and stores.

Physical distribution function is responsible for completing the marketing transaction once the function of exchange is completed, i.e., buyer and seller come to terms and enter into a contract of sale. It should be noted that before the sale can be completed, the product must be available at the place the buyer wants it, at the time he wants it, and in the quantity he wants. In general, the function of physical supply attempts to accomplish the delivery of goods at the right place, at the right time and in the right quantity.

Physical distribution is all about moving and storing the products and finally making them available to the consumers. Distribution is the process of making the products/services available to the consumer. It involves movement of the products/services from the manufacturers to the end user.

Physical distribution requires a distribution infrastructure that includes transportation, warehousing, material handling, inventory control, processing, customer services, which facilitate the movement of goods. Physical distribution includes both the marketing channels and these facilitators.

Physical distribution is purported to delivery of goods in right quantity, time and at right place. The scholars have defined the physical distribution as related to material handling, transportation, store, keeping, packaging, inventory control etc.

**Q18. Explain various components of physical distribution system?**

*Ans.:*

The process of physical distribution involves co-ordination and integration of five components:

1. Order processing,
2. Inventory Control,
3. Warehousing,
4. Material Handling and
5. Transport.

Most important components are warehousing, inventory and transport.

**1. Order Processing**

We should have standard procedure for handling and execution of orders. Order processing time must be reasonable. Any delay in order execution creates ill-will and may lead to loss of business. Customer demands assured delivery within a fixed period always. The speed in order execution reflects the degree of customer service. Even a slight increase in customer service can increase your business to the extent of 20 per cent. Order serving time can act as a selling point in our marketing programme.

**2. Inventory Control**

the entire physical distribution management, size, location, handling and transporting of inventories assume unique role in physical distribution. Inventories are reservoirs of goods held in anticipation of sales. The inventory inter-connects production activity (purchase activity) and the customers' orders (sales activity). Inventory cost increases at an accelerated rate as the customer service level approaches 100 per cent. We must reconcile and balance the inventory cost and the customer service level.

We must have a balanced assortment of merchandise for sale to meet the expected customer demand. Too small inventory will

mean stock outs and lost sales. Too large inventory means huge capital investment, lower turnover and higher inventory operating cost. The main objective of inventory control is to secure minimum capital investment and fluctuations in inventories as well as prompt order execution as per customer demand.

### 3. Warehousing

Storage is the process of holding and preserving goods. It can equalise supply time-wise. The selection and proper location of warehouses is of special importance in the process of marketing. The distribution centres are now located around the markets rather than around transport facilities.

Distribution centre (a special kind of warehouse facility, strongly market related) enables order processing and delivery of goods directly to customers under one roof. We can have better and quicker customer service at lower cost of distribution under distribution centres.

We can also have a few warehouses and normal inventory stock. The new system of distribution reduces delivery time and also storage time. Emphasis is given on selling and not on storing. Many companies are shifting from storage warehouses to distribution centres. One distribution centre is set up in one region around the market and not around transport facilities merely.

Distribution centres use the latest equipment for data processing, material handling and inventory control. The range of services a distribution centre offers can be matched with those offered by a wholesaler. However, a wholesaler is the merchant middleman, whereas a distribution centre is an agent middleman.

### 4. Material Handling System

Instead of manhandling, we have automated material handling equipment in modern

ware-houses. New concepts of packaging, containerisation, and palletization have brought about remarkable reduction in the cost of physical distribution. We have now conveyor system and forklift trucks. Material handling is now almost mechanised in the Western countries.

Standard size containers to pack and transport goods can be stored on pallets or small platforms which can then be moved by mechanical transport. Modern mechanised handling of goods and protective packaging have improved customer service, lowered distribution cost, and have also speeded up order execution.

### 5. Transport

Physical distribution is nothing but a network of activities consisting of storage at many locations interconnected by a series of transport links in the process of distribution. Transport is called the Gordian Knot, if not the snake pit, of physical distribution management. The costs of transport are ever — rising since 1970.

Let us now describe the various means of transport, their relative advantages and disadvantages and the criteria for choice of mode of transport.

#### Q19. What are the various functions that affect physical distribution system.

*Ans.:*

Every producer has to find a way to distribute his products to their final users. To distribute, various channels are available in today's economy. How does a producer select one or more channels of distribution to ensure smooth functioning and minimized cost?

This is understood by studying the factors that influence the choice of distribution channels, which are described below:

#### 1. Product Factors/Considerations

The first and most important factor that influences on the choice of the channel of

distribution is the nature of goods. Perishable goods like cakes and breads that are required to be sold quickly, are sold directly by the manufacturers to the consumers through retail outlets. Goods that last longer can be handled by more intermediaries to insure a larger market.

**(i) Physical and Technical Nature**

Products which are of low unit value and have common use amongst consumers are generally sold through middle men; whereas, the sale of expensive and elite consumer goods and industrial products is conducted directly by the producer himself.

Products that are perishable, i.e., products which are subjected to frequent changes in fashion or style or trend, as well as those products which are heavy and bulky, go through relatively shorter routes and, are often distributed directly in order to minimize costs and damage.

Industrial products that need demonstration, installation and after sale-services are often sold directly to the consumers; while, retailers generally sell consumer products which are of technical nature.

Certain technical or complex products need installation and advice of product use including demonstration, service visits, etc. For this, having exclusive trained personnel is essential. Some companies prefer exclusive dealership in such cases.

In case of an entrepreneur who produces a large number of products, he may find it economical to set up his own retail outlets and sell his products directly to the consumers. At the same time, companies which have a narrow range of products may make their sale through wholesalers and retailers.

A new product needs greater promotional effort in the initial stages and, hence, few middlemen or intermediaries may be required.

**(ii) The Market Position**

Here, the focus is on the reputation of the manufacturer. A product promoted by an established and reputed manufacturer has a higher degree of market acceptance and, therefore, can be sold through various channels with little effort. A new product, thus, has quick sales based on the producer's reputation. This may, however, have long-term risks.

**2 Market Factors/Considerations**

**(i) The Existing Market Structure and Size**

Producers may have to study the existing market structure. It can be geographically concentrated or wide spread. For example, industrial markets are usually concentrated in a few large cities involving only large customers. Producers or channel commanders can have difficulty in changing that.

However, consumer goods market has a different structure, as; it is directly related to, the masses. Consumer preferences dictate channel selection. For example, baby food manufacturers changed their channel of distribution to supermarkets, as; research revealed that mothers preferred super markets over drug stores.

**(ii) Consumer Behavior and Nature of the Purchase Deliberation:**

Purchase decisions are made differently for different products. Consumers spend more time and effort on durables such as washing machine and mobile phone than on a pack of biscuits or toothpaste. The frequency of purchase influences

purchase deliberations. Products, which are purchased frequently by consumers, have more buyer-seller contacts and middlemen are suggested.

**(iii) Availability of the Channel:**

Availability of a channel refers to the willingness of channel members to accept a brand. For this, the channel commander or the producer has the task of winning over the cooperation of the channel members. The producer may adopt push or pull strategy. In push strategy, the producer resorts to regular activities of convincing the existing channel members to accept the product and passes it through various points to reach the retailer and then the final consumer.

In the pull strategy, the producer resorts to aggressive promotional activities on the final consumer, relying on the fact that strong consumer demand will force middlemen to accept the product in order to cater to the consumer satisfaction.

**(iv) Competitor's Channels**

A new firm always studies the existing distribution pattern and this, necessarily, includes identifying the distribution channels employed by competitors. Every business has certain established norms and practices and this may, even, apply to channels of distribution. If the existing pattern has given success to the competitors, a new firm may adopt the same channel as long as it is suitable and logical. As a matter of fact, finding new avenues may prove to be costlier and cumbersome.

**3 Institutional Factors/Considerations:**

The channel members also influence the choice of the channel to be selected.

They are briefly discussed as follows:

**(i) Financial Ability of Channel Members**

In the process of sending the goods through the channels of distribution, it is found that manufacturers need to aid the retail dealers financially, either through, interest free loans, or other credit terms. Credit terms being competitive the willingness to extend credit is a determinant in channel acceptance. Retailers also sometimes finance their suppliers either directly or by investing in the company. Usually, government agencies are restricted from making advance payments.

**(ii) The Promotional Strengths of Channel Members:**

Every producer, i.e., the channel commander, wants his product to be promoted. For national brands, producers themselves take up the responsibility. However, for others, distributors promote jointly with the producer. In case of certain private brands, the job is taken up by wholesalers or retailers who establish the brand name.

**(iii) The Post-Sale Service Ability:**

Many products carry a warranty and this is used by the consumer post purchase. The responsibility of serving the warranty has to be well established. It can be the manufacturer himself or a channel member.

Since the retailer-distributor is the closest in touch with the consumer, the consumer may expect this service from them itself. In certain cases, the product may be returned to the manufacturer for servicing or services may be performed by an independent service outlet established for this purpose.

#### 4. Unit or Firm Specific Factors/ Considerations:

Every firm has its own strengths and weaknesses, which influence channel decisions.

Among them, important ones are discussed below:

##### (i) The Company's Financial Position

Huge companies, which have the financial and human resource capability may not only produce the goods but also may have the ability to set up their own retail outlets thereby creating a lot of visibility for themselves. On the other hand, smaller companies which do not have either the financial capability or manpower resources might just concentrate on production and leave the marketing of goods to others.

##### (ii) The Extent of Market Control Desired

Market control refers to the ability of a firm to influence the behavior of channel members according to the will of the management.

Here, the entire distribution network is served by factors such as resale price maintenance, territorial restrictions, quotas and the like. The channel commander, i.e., the producer or the manufacturer, may desire to exercise such command from time to time. The extent to which they want the control is the question to be answered, as, higher the control, higher will be the channel directness.

##### (iii) The Company's Reputation

Popular companies, known for their products or services, have little or no problem in settling with a particular channel. This is because reputed companies do not go in search of intermediaries. Instead, the intermediaries come in search of them.

Reputation is reflected through higher sales, timely and quick replenishment of stocks, low levels of inventory, easy settlement of claims, competitive margins granted etc. The selected channel turns out to be cheaper and dependable due to the willingness and cooperation extended by channel members.

##### (iv) The Company's Marketing Policies

A company's marketing strategy lays down the method of distribution. Important factors such as advertising, sales promotion, pricing, delivery and after sale services influence the channel selection the most.

For instance, a company that invests heavily in advertising and sales promotion makes the selected channel direct, as, little effort is required to push the product through the chosen line. Alternatively, a company adopting a price penetration policy, [comes with a low margin], chooses a longer channel.

#### 5. Environmental Factors/Considerations:

##### (i) Economic and Legal Factors

Due to the economic disparity prevalent in the economy, the government promotes public distribution system through fair price shops to reach out to the economically weak sector. This constitutes the public distribution system, which primarily focuses on the distribution of necessities.

The private distribution system also needs a certain amount of regulation. Much legislation has been passed from time to time to regulate the functioning of the various channels of distribution. One such important legislation is the MRTP Act of 1969.

The provisions of this Act aim at preventing exclusive dealership,

regulating territorial restrictions, reselling price maintenance, full line forcing, etc. The Companies Act, 1956, forbids sole selling agency arrangements in industries like paper, cement, vanaspati, etc. Such provisions keep away cut throat competition; prevent creation of monopoly and the like which are objectionable to public interests.

### (ii) Fiscal Factors

Sales tax rates vary from state to state as it is a state fiscal matter. Although such sales tax is part of the retail price set for a product, it is actually borne by the final consumer; it has its role to play in channel arrangements.

For example, let us say, sales tax rate in Karnataka is higher when compared to Kerala, a producer may, therefore, take advantage of this benefit, prefer to open his office in Kerala and pass on the reduced tax benefit in the form of reduced price. This can also become a competitive advantage to the product.

### Q20. Explain the need and importance of physical distribution.

*Ans :* (Dec.-18, Imp.)

The following points highlight the need and importance of physical distribution,

#### 1. Creation of Time and Place Utility

Physical distribution is needed for creating time utility and place utility. This is performed through the transportation of goods physically from the place of manufacturing to the place of consumption.

#### 2. Reduce Distribution Cost

It helps to reduce the distribution costs of the products through systematic planning, transporting, warehousing and routing of the products the overall distribution cost can be reduced.

#### 3. Price Stabilization

It helps in stabilization of prices, which in turn would benefit customers, suppliers and all other stakeholders.

#### 4. Customer Services

It plays an important role in providing good customer service and satisfaction to the consumers by making the goods/products physically available to the customers as and when they require the product.

#### 5. Acts as Interface

It acts as an interface bridge between the manufacturer and the consumer of the goods, thus facilitating the smooth flow of goods from the manufacturer to the end consumer.

### Q21. What is the role of customer relationship management in building customer loyalty?

*Ans :* (Dec.-19, Imp.)

The role or activities of customer relationship management in building customer loyalty are as follows,

#### 1. Brand Image

Creation of good brand image in the eyes of customer is one of the activities of CRM through which loyalty among customers is created. The image or impression of the brand in the minds of the customers is known as brand image. The creation of good image in the minds of customers may take time but it provides good results. For example, when the customers think of fast food, junk food or cake they instantly get the image of "KFC" or "Burger King" in their minds. Similarly, when they think of an Ice-Cream, they get the image of "Cream-Stone" or "Baskin-Robbins". It is all about their good image in the market as they give good quality, fast service, hygiene and classy ambience. Thus, creation of brand image results in customer loyalty.

**2. Positioning**

Positioning is one of the important activity which plays crucial role in building customer loyalty. As per the concept of CRM, positioning of product or brand should be done carefully because it put long lasting effects on the minds and point of view of customers. It is one of the most powerful marketing concepts as it set best or worst impression of an brand image. A good positioning in the market makes the goods and services unique and it attracts the customers to buy them. Hence they become loyal to a particular brand.

**3. Unique Merchandising**

The retailer cannot sell goods of popular national brands because it may be challenging as the same product can be sold by different retailers. However, there are so many retailers around the world who had built the customers loyalty through the products which are acquired marketed and made available only by those retailers. The retailers who have developed their business by selling these type of products are called as private label brands, store brands or own brands. The strategy of unique merchandising helps to maintain good relations with customers and hence results in customer loyalty.

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## Short Question and Answers

### 1. Define channel conflict.

*Ans :*

#### Meaning

Channel conflict can be explained as any dispute, difference or discord arising between two or more channel partners, where one partner's activities or operations affect the business, sales, profitability, market share or similar goal accomplishment of the other channel partner.

As we know that every manufacturing company needs to plan its distribution and marketing channel appropriately, to ensure market captivity and customer satisfaction along with growth and profitability.

In the process of the constant supply of products in the market, several channel partners and intermediaries join the supply chain of the brand. Any clash and disturbance among these trading partners can be considered as a channel conflict.

### 2. Define and explain the meaning of physical distribution system.

*Ans :*

#### Definitions

- (i) **According to Wendell M. Smith** – "Physical distribution is the science of Business Logistics where by the proper amount of the right kind of product is made available at the place where demand for it exists. Viewed in this light, physical distribution is key link between manufacturing and demand creation."
- (ii) **According to W.J. Stanton** – "Physical distribution involves the management of the physical flow of products and the establishment and operation of flow system."
- (iii) **According to Cundiff and Still** – "Physical distribution involves the actual movement and storage of goods after they are produced and before they are consumed".

(iv) **According to Mc Carthy** – "Physical distribution is the actual handling and moving of goods within individual firms and along channel system."

(v) **According to Philip Kotler**, physical distribution "involves planning, implementing and controlling the physical flows of materials and final goods from place of production to the place of end use to satisfy buyers' needs."

It is concluded from the definitions that:

- (i) Physical distribution is science of logistics.
- (ii) Physical distribution is the main mid-link between manufacture and creation of demand.
- (iii) Physical distribution is a management of flow of commodity and flow arrangement simultaneous to distribution channel of the commodities of company and inside the firm/company.

### 3. Inventory Levels

*Ans :*

Stock level refers to the amount of goods or raw materials that should be maintained by businesses to continue their activities and avoid any situations like understocking or overstocking. Every organization should always keep an optimum amount of inventory to ensure the regular operation of its production activities.

Inventory acts as a bridge between production and sales of business and ensures a regular supply of finished goods to customers. Raw materials, work-in-progress, finished goods and various consumables like fuel and stationery are three important types of inventories that every firm needs to maintain.

### 4. Buying Behaviour

Consumer Buying Behaviour refers to the actions taken (both on and offline) by consumers before buying a product or service. This process may include consulting search engines, engaging with social media posts, or a variety of other actions.



It is valuable for businesses to understand this process because it helps businesses better tailor their marketing initiatives to the marketing efforts that have successfully influenced consumers to buy in the past.

### 5. Manufacturer Customer

*Ans :*

This is also known as direct selling because no middlemen are involved. A producer may sell directly through his own retail stores, for example, Bata. This is the simplest and the shortest channel. It is fast and economical. Small producers and producers of perishable commodities also sell directly to the local consumers. Big firms adopt direct selling in order to cut distribution cost and because they have sufficient facilities to sell directly to the consumers. The producer or the entrepreneur himself performs all the marketing activities.

### 6. Various causes

*Ans :*

Following are some of the key reasons for which the organizations need to face channel conflict:

#### i) Role Ambiguity

The uncertain act of an intermediary in a multi-channel arrangement may lead to disturbance in the channel of distribution and cause conflict among the intermediaries.

#### ii) Incompatible Goals

When the manufacturer and the intermediaries do not share the same objectives, both work in different directions to meet their ends, this results in channel conflict.

#### iii) Marketing or Strategic Mis-Alignment

Sometimes, two-channel partners promote the manufacturer's product in a different manner, which created two different images of the same product in the consumers' mindset, which creates conflicting brand perception.

#### iv) Difference in Market Perception

The manufacturer's understanding of the potential market and penetration into a specific region or territory, may vary from the

perception of the intermediaries, which can create conflict and reduce the intermediary's interest in capturing that particular market.

#### v) Change Resistant

When the channel leader plans to modify the distribution channel, the intermediaries may or may not accept this change. Thus, it may result in a condition of discord or non-cooperation.

#### vi) Improper Geographic or Demographic Distribution

If the sales territory has a narrow consumer base, and the channel leader allows many selling partners, they tend to lose interest soon because of low profit and limited sales.

### 7. Three Level Channel

*Ans :*

This is one stage distribution channel having one middleman, i.e., retailer. In this channel, the producer sells to big retailers like departmental stores and chain stores who in turn sell to customer. This channel is very popular in the distribution of consumer durables such as refrigerators, T V sets, washing machines, typewriters, etc. This channel of distribution is very popular these days because of emergence of departmental stores, super markets and other big retail stores. The retailers purchase in large quantities from the producer and perform certain marketing activities in order to sell the product to the ultimate consumers.

### 8. Define Distribution.

*Ans :*

Distribution is one of the four elements of the marketing mix, the other three being product, pricing and promotion. This marketing mix is also referred to as the four Ps of marketing; distribution is here called physical distribution or place.

Simply put, distribution is the process of delivering the products manufactured or service provided by a firm to the end user. Various intermediaries are involved in this process. This chain of intermediaries which helps in transferring the product from one intermediary to the next before it reaches the end user is called the Distribution Chain or Distribution Channel.

Distribution channels are the methods that companies use to enter the consumer market with their product. While many methods exist, they have changed over the years because of the Internet and global sales.

### Definition

A distribution channel is the method a company uses to get its products into the marketplace for consumer use. The traditional channel goes from supplier, manufacturer, distributor, wholesaler and retailer.

### 9. Indirect Channel

*Ans :*

The indirect channel is used by companies who do not sell their goods directly to consumers. Suppliers and manufacturers typically use indirect channels because they exist early in the supply chain. Depending on the industry and product, direct distribution channels have become more prevalent because of the Internet.

Distributors, wholesalers and retailers are the primary indirect channels a company may use when selling its products in the marketplace. Companies choose the indirect channel best suited for their product to obtain the best market share; it also allows them to focus on producing their goods.

### 10. Advantages of distribution channel.

*Ans :*

When a customer is considering buying a product he tries to access its value by looking at various factors which surround it. Factors like its delivery, availability etc. which are directly influenced by channel members. Similarly, a marketer too while choosing his distribution members must access what value is this member adding to the product. He must compare the benefits received to the amount paid for using the services of this intermediary. These benefits can be the following:

#### 1. Cost Saving

The members of distribution channel are specialized in what they do and perform at much lower costs than companies trying to run the entire distribution channel all by itself.

#### 2. Time Saving

Along with costs, time of delivery is also reduced due to efficiency and experience of the channel members. For example if a grocery store were to receive direct delivery of goods from every manufacturer the result would have been a chaos. Everyday hundreds of trucks would line up outside the store to deliver products.

The store may not have enough space for storing all their products and this would add to the chaos. If a grocery wholesaler is included in the distribution chain then the problem is almost solved. This wholesaler will have a warehouse where he can store bulk shipments. The grocery store now receives deliveries from the wholesaler in amounts required and at a suitable time and often in a single truck. In this way cost as well as time is saved.

#### 3. Customer Convenience

Including members in the distribution chain provides customer with a lot of convenience in their shopping. If every manufacturer owned its own grocery store then customers would have to visit multiple grocery stores to complete their shopping list. This would be extremely time-consuming as well as taxing for the customer. Thus channel distribution provides accumulating and assorting services, which means they purchase from many suppliers the various goods that a customer may demand. Secondly, channel distribution is time saving as the customers can find all that they need in one retail store and the retailer.

### 11. Channel management

*Ans :*

"The administration of existing channels to secure the cooperation of channel members in achieving the firm's distribution objectives."

- First, channel management deals with existing channels. Channel design decisions are therefore viewed as separate from channel management decisions.

- Secondly, the phase secure the cooperation of channel members implies that channel members do not automatically cooperate merely because they are members of the channel. Administrative actions are necessary to secure their cooperation.
- Third, the term distribution objectives is equally relevant for channel management. Carefully delineated distribution objectives are needed to guide the management of the channel.

---

**12. Explain the need and importance of physical distribution.**

*Ans :*

The following points highlight the need and importance of physical distribution,

- i) **Creation of Time and Place Utility:** Physical distribution is needed for creating time utility and place utility. This is performed through the transportation of goods physically from the place of manufacturing to the place of consumption.
- ii) **Reduce Distribution Cost:** It helps to reduce the distribution costs of the products through systematic planning, transporting, warehousing and routing of the products the overall distribution cost can be reduced.
- iii) **Price Stabilization:** It helps in stabilization of prices, which in turn would benefit customers, suppliers and all other stakeholders.
- iv) **Customer Services:** It plays an important role in providing good customer service and satisfaction to the consumers by making the goods/products physically available to the customers as and when they require the product.

## Choose the Correct Answers

1. \_\_\_\_\_ is responsible for ensuring that product in distribution and reseller locations gets sold out. [ a ]  
(a) Channel marketing (b) Companies  
(c) Clear segmentation (d) VAR'S
2. Avon, Amway, and Tupperware use which of the following forms of channel \_\_\_\_\_ distribution? [ a ]  
(a) Direct marketing channel (b) Indirect marketing channel  
(c) Forward channel (d) Fashion channe
3. When the manufacturer establishes two or more channels catering to the same market, then \_\_\_\_\_ occurs. [ c ]  
(a) Vertical channel conflict (b) Horizontal channel conflict  
(c) Multi channel conflict (d) None of the above
4. Through their contacts, experience, specialization, and scale of operation, \_\_\_\_\_ usually offer the firm more than it can achieve on its own. [ d ]  
(a) Manufacturers (b) Producers  
(c) Direct marketers (d) Intermediaries
5. \_\_\_\_\_Makers of televisions, cameras, tires, furniture, and major appliances normally use which of the following distribution channel forms? [ b ]  
(a) Direct marketing channel (b) Indirect marketing channel  
(c) Horizontal channel (d) Synthetic channel
6. Who sells to the customers? [ c ]  
(a) Semi wholesalers (b) Wholesalers  
(c) Retailer (d) Distributor
7. The benefits of marketing channels are \_\_\_\_\_. [ d ]  
(a) Cost saving (b) Time saving  
(c) Financial support given (d) All of above
8. \_\_\_\_\_ is a layer of intermediaries that performs some work in bringing the product and its ownership closer to the buyer. [ c ]  
(a) A direct marketing channel (b) An indirect marketing channel  
(c) A channel level (d) A channel switching system
9. A \_\_\_\_\_ is a set of interdependent organizations involved in the process of making a product or service available for use of consumption by the consumer or business user. [ c ]  
(a) Retailer (b) Wholesaler  
(c) Distribution channel (d) Middleman
10. \_\_\_\_\_ is a marketing channel that has no intermediary levels. [ a ]  
(a) Direct marketing channel (b) Indirect marketing channel  
(c) Forward channel (d) Hybrid channel

## *Fill in the Blanks*

1. \_\_\_\_\_ are the methods that companies use to enter the consumer market with their product.
2. \_\_\_\_\_ is one of the four basic tools in the marketing mix, together with product, promotion and price.
3. \_\_\_\_\_ function performs the flow of goods, resources and information between the point of origin to the point of consumption in order to meet the requirements of the customers.
4. \_\_\_\_\_ function facilitate both physical exchange and transaction of goods.
5. \_\_\_\_\_ developing and spreading persuasive communications about an offer.
6. \_\_\_\_\_ implies that the company has some special knowledge that is value adding to the channel partner.
7. \_\_\_\_\_ is a situation where one channel member perceives the behaviour of another channel member to be impeding the attainment of its goals or its effective functioning.
8. \_\_\_\_\_ is concerned with the physical movement of the goods from the producer to the consumer.
9. \_\_\_\_\_ distribution activities help in creating time and place utility.
10. \_\_\_\_\_ is the starting point of any distribution activity.
11. \_\_\_\_\_ as a component of physical distribution is concerned with the movement of goods from the warehouse to customer destination.
12. \_\_\_\_\_ is designed to take the customer orders and execute the specifics the customer has purchased.

### ANSWERS

1. Distribution channels
2. Distribution
3. Logistical
4. Facilitating
5. Promotion
6. Expert power
7. Conflict
8. Physical distribution
9. Physical
10. Order processing
11. Transportation
12. Order processing

FACULTY OF MANAGEMENT  
BBA V - Semester (CBCS) Examination  
Model Paper - I  
RETAIL MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]****ANSWERS****Note : Answer any five of the following questions.**

- |   |                    |
|---|--------------------|
| 1. Advantages of Telemarketing          | (Unit-I, SQA-6)    |
| 2. Customer Satisfaction.               | (Unit-I, SQA-11)   |
| 3. Central Cottage Industries Emporium. | (Unit-II, SQA-2)   |
| 4. Electronic Retailing(e-tailing)      | (Unit-II, SQA-5)   |
| 5. Profix planning                      | (Unit-III, SQA-10) |
| 6. Importance of Merchandising.         | (Unit-III, SQA-12) |
| 7. Store design                         | (Unit-IV, SQA-1)   |
| 8. Define Distribution                  | (Unit-V, SQA-8)    |

**PART - B (5 × 12 = 60 Marks)****[Essay Answer Type]****Note : Answer all the questions using the internal choice.**

- |   |                      |
|---|----------------------|
| 9. (a) What are the types of retailing?   | (Unit-I, Q.No. 10)   |
| <b>OR</b>   |                      |
| (b) Discuss the Emergence and growth of Retailing in India.                                 | (Unit-I, Q.No. 14)   |
| 10. (a) "Traditional retail formats are facing threat in many ways". Explain with examples. | (Unit-II, Q.No. 4)   |
| <b>OR</b>   |                      |
| (b) Define Franchising. Explain the features of Franchising.                                | (Unit-II, Q.No. 11)  |
| 11. (a) 'Merchandizing manager must be very efficient in delivering functions'. Comment.    | (Unit-III, Q.No. 7)  |
| <b>OR</b>   |                      |
| (b) Explain in detail retail merchandising as an essential part of store planning.          | (Unit-III, Q.No. 11) |

12. (a) Explain the different types of store layout. (Unit-IV, Q.No. 5)

**OR**

- (b) Define retail promotion. Explain the factors effective retail promotion. (Unit-IV, Q.No. 12)

13. (a) What are roles and functions of channel distribution? (Unit-V, Q.No. 4)

**OR**

- (b) Define channel conflict. Explain different types of channels conflicts. (Unit-V, Q.No. 12)

FACULTY OF MANAGEMENT  
BBA V - Semester (CBCS) Examination  
Model Paper - II  
RETAIL MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]****ANSWERS****Note : Answer any five of the following questions.**

- |  |                    |
|--|--------------------|
| 1. What is Organised Retailing?                  | (Unit-I, SQA-9)    |
| 2. Define retailing.                             | (Unit-I, SQA-1)    |
| 3. Modern Retail formats in India.               | (Unit-II, SQA-3)   |
| 4. Legal Issues involved in Franchising in India | (Unit-II, SQA-8)   |
| 5. LIFO - FIFO                                   | (Unit-III, SQA-11) |
| 6. Define Merchandise planning.                  | (Unit-III, SQA-4)  |
| 7. Visual merchandizing                          | (Unit-IV, SQA-15)  |
| 8. Three Level Channel                           | (Unit-V, SQA-7)    |

**PART - B (5 × 12 = 60 Marks)****[Essay Answer Type]****Note : Answer all the questions using the internal choice.**

- |  |                    |
|--|--------------------|
| 9. (a) Explain the characteristics of retailing. | (Unit-I, Q.No. 11) |
|--|--------------------|

**OR**

- |  |                    |
|--|--------------------|
| (b) Discuss the Pro's and Con's of FDI in retailing.                     | (Unit-I, Q.No. 16) |
| 10. (a) Compare and contrast traditional retailing and global retailing. | (Unit-II, Q.No. 7) |

**OR**

- |   |                     |
|---|---------------------|
| (b) Write about the different types of franchising.     | (Unit-II, Q.No. 12) |
| 11. (a) What are the factors influencing Merchandizing? | (Unit-III, Q.No. 6) |

**OR**

- |   |                      |
|---|----------------------|
| (b) Outline the steps involved in Merchandise Planning. | (Unit-III, Q.No. 10) |
|---|----------------------|



12. (a) "Pleasant and attractive store environment is the part of promotion."  
Comment.

(Unit-IV, Q.No. 7)

**OR**

- (b) Exemplify the elements of retail communication mix.
13. (a) Explain the criteria for selecting channel partner for consumer durable products.

(Unit-IV, Q.No. 22)

(Unit-V, Q.No. 7)

**OR**

- (b) Explain the steps to be taken to minimize and solve conflicts among the channel members.

(Unit-V, Q.No. 14)

FACULTY OF MANAGEMENT  
BBA V - Semester (CBCS) Examination  
Model Paper - III  
RETAIL MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]****ANSWERS****Note : Answer any five of the following questions.**

- |  |                   |
|--|-------------------|
| 1. Reserve Auction   | (Unit-I, SQA-10)  |
| 2. Speciality Stores   | (Unit-I, SQA-5)   |
| 3. Concept of Supply Chain   | (Unit-II, SQA-11) |
| 4. Offshore retailers  | (Unit-II, SQA-6)  |
| 5. Merchandizing   | (Unit-III, SQA-1) |
| 6. Warehousing and Logistics                                       | (Unit-III, SQA-5) |
| 7. Define retail promotion   | (Unit-IV, SQA-6)  |
| 8. Define and explain the meaning of physical distribution system. | (Unit-V, SQA-2)   |

**PART - B (5 × 12 = 60 Marks)****[Essay Answer Type]****Note : Answer all the questions using the internal choice.**

- |  |                    |
|--|--------------------|
| 9. (a) Explain various functions of retailing. | (Unit-I, Q.No. 12) |
|--|--------------------|

**OR**

- |  |                    |
|--|--------------------|
| (b) Explain in detail the opportunities in retail industry in India. | (Unit-I, Q.No. 18) |
| 10. (a) Explain the following terms with suitable examples.          |                    |
| (i) Hyper market   |                    |
| (ii) Super market  |                    |
| (iii) Offshore retailers   | (Unit-II, Q.No. 9) |

**OR**

- |  |                     |
|--|---------------------|
| (b) Discuss in detail the environmental theory of retail development | (Unit-II, Q.No. 16) |
|--|---------------------|

11. (a) Define Merchandise planning. Explain the need for Merchandise planning. (Unit-III, Q.No. 8)

**OR**

- (b) Explain the methods of merchandizing performance appraisal. (Unit-III, Q.No. 14)

12. (a) Explain the role of visual merchandizing in retailing. (Unit-IV, Q.No. 10)

**OR**

- (b) Define POP. Explain various types of POP Displays. (Unit-IV, Q.No. 23)

13. (a) Discuss the motivation and control of channel participation in retail management. (Unit-V, Q.No. 8)

**OR**

- (b) Define and explain the meaning of physical distribution system. (Unit-V, Q.No. 17)

FACULTY OF MANAGEMENT  
BBA V - Semester (CBCS) Examination  
July - 2021  
**RETAIL MANAGEMENT**

Time : 2 Hours]

[Max. Marks : 80

**PART - A**

**Note : Answer any four questions**

**(4 × 5 = 20 Marks)**

**ANSWERS**

- |                                      |                   |
|--------------------------------------|-------------------|
| 1. E-tailing                         | (Unit-II, SQA-5)  |
| 2. Franchising                       | (Unit-II, SQA-7)  |
| 3. Merchandising mix                 | (Unit-III, SQA-9) |
| 4. POP displays                      | (Unit-IV, SQA-8)  |
| 5. Channel conflict                  | (Unit-V, SQA-1)   |
| 6. Loop and straight store layouts   | (Unit-IV, SQA-3)  |
| 7. Trade promotion                   | (Unit-IV, SQA-11) |
| 8. Corporate retail formats in India | (Unit-II, SQA-10) |

**PART - B**

**Note : Answer any four questions**

**(4 × 15 = 60 Marks)**

- |   |                       |
|---|-----------------------|
| 9. Define retailing. Explain the functions of retailing.                              | (Unit-I, Q.No. 1, 12) |
| 10. Discuss the pros and cons of FDI in Indian retailing.                             | (Unit-I, Q.No. 16)    |
| 11. Illustrate the environmental theory of retail development.                        | (Unit-II, Q.No. 16)   |
| 12. Explain the traditional retail formats with suitable examples.                    | (Unit-II, Q.No. 1)    |
| 13. Discuss the functions of merchandising manager.                                   | (Unit-III, Q.No. 7)   |
| 14. Demonstrate the steps of merchandise planning process.                            | (Unit-III, Q.No. 10)  |
| 15. Define store layout. Write the significance of store layout.                      | (Unit-IV, Q.No. 4)    |
| 16. Exemplify the elements of retail communication mix.                               | (Unit-IV, Q.No. 22)   |
| 17. Explain the role and function of distribution channels.                           | (Unit-V, Q.No. 4)     |
| 18. Discuss the motivation and control of channel participation in retail management. | (Unit-V, Q.No. 8)     |

FACULTY OF MANAGEMENT  
**BBA V - Semester (CBCS) Examination**  
**November / December - 2020**  
**RETAIL MANAGEMENT**

Time : 2 Hours]

[Max. Marks : 80

**PART - A (4 × 5 = 20 Marks)**

**Note : Answer any four questions.**

**ANSWERS**

- |                                 |                   |
|---------------------------------|-------------------|
| 1. Store Image                  | (Unit-I, SQA-8)   |
| 2. Marketing Mix                | (Unit-IV, SQA-14) |
| 3. Scope of Retailing           | (Unit-I, SQA-2)   |
| 4. Budget Allocation            | (Unit-IV, SQA-12) |
| 5. Advertising Strategy         | (Unit-IV, SQA-13) |
| 6. E-retailing                  | (Unit-II, SQA-5)  |
| 7. Physical Distribution System | (Unit-V, SQA-2)   |
| 8. Customer Satisfaction.       | (Unit-I, SQA-11)  |

**PART - B (4 × 15 = 60 Marks)**

**Note : Answer any four questions.**

- |   |                         |
|---|-------------------------|
| 9. Define "Retailing" and comment on retail industry in India?  | (Unit-I, Q.No. 1, 17)   |
| 10. What are the functions and activities of retailing marketing?   | (Unit-I, Q.No. 12, 13)  |
| 11. Explain the following terms with suitable examples,<br>(i) Hypermarket<br>(ii) Supermarket<br>(iii) Offshore retailers. | (Unit-II, Q.No. 9)      |
| 12. What are types of franchising and discuss advantages and disadvantages of franchising?                                  | (Unit-II, Q.No. 12, 13) |
| 13. What are the function of merchandising?   | (Unit-III, Q.No. 7)     |
| 14. What are the factors influencing merchandising?   | (Unit-III, Q.No. 6)     |
| 15. Explain the role of visual merchandising in retailing.  | (Unit-IV, Q.No. 10)     |
| 16. Discuss the factors that influence the retail shopper's behavior.   | (Unit-IV, Q.No. 9)      |
| 17. What types of sales promotion tools are used in retailing? Discuss in detail.   | (Unit-IV, Q.No. 17)     |
| 18. What are roles and functions of channel distribution?   | (Unit-IV, Q.No. 4)      |

FACULTY OF MANAGEMENT  
BBA V - Semester (CBCS) Examination  
November / December - 2019  
RETAIL MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

Note : Answer all the questions.

PART - A (5 × 4 = 20 Marks)

[Short Answer Type]

ANSWERS**I. Answer any five of the following in not exceeding 20 lines.**

- |                               |                    |
|-------------------------------|--------------------|
| (a) Concept of 'Supply Chain' | (Unit-II, SQA-11)  |
| (b) Retailing Formats         | (Unit-II, SQA-13)  |
| (c) FDI in Retailing          | (Unit-I, SQA-7)    |
| (d) Profit Planning           | (Unit-III, SQA-10) |
| (e) Retail Marketing Mix      | (Unit-IV, SQA-14)  |
| (f) Store Layout              | (Unit-IV, SQA-2)   |
| (g) Inventory Levels          | (Unit-V, SQA-3)    |
| (h) Buying Behaviour          | (Unit-V, SQA-4)    |

PART - B (5 × 12 = 60 Marks)

[Essay Answer Type]

Note : Answer all the questions using the internal choice.

- |   |                        |
|---|------------------------|
| 2. (a) Explain in detail the opportunities in retail industry in India.                     | (Unit-I, Q.No. 18)     |
| OR  |                        |
| (b) What are the types and characteristics of retailing?                                    | (Unit-I, Q.No. 10, 11) |
| 3. (a) Explain the concept of life cycle in retail.   | (Unit-II, Q.No. 19)    |
| OR  |                        |
| (b) Compare and contrast traditional retailing and global retailing with suitable examples. | (Unit-II, Q.No. 7)     |
| 4. (a) What are the factors influencing merchandising?                                      | (Unit-III, Q.No. 6)    |
| OR  |                        |
| (b) Explain in detail 'retail merchandising' as an essential part of store planning,        | (Unit-III, Q.No. 11)   |
| 5. (a) Explain the role of visual merchandising in retailing.                               | (Unit-IV, Q.No. 10)    |
| OR  |                        |
| (b) What is strategic positioning? How do retailers achieve it in retail marketing context? | (Unit-IV, Q.No. 24)    |
| 6. (a) What is the role of customer relationship management in building customer loyalty?   | (Unit-V, Q.No. 21)     |
| OR  |                        |
| (b) How do you manage channel conflicts in retailing? Discuss in detail.                    | (Unit-V, Q.No. 14)     |

FACULTY OF MANAGEMENT  
**BBA V - Semester (CBCS) Examination**  
 June / July - 2019  
**RETAIL MANAGEMENT**

Time : 3 Hours]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]****Note : Answer any five of the following questions.****ANSWERS**

- |                                 |                   |
|---------------------------------|-------------------|
| 1. FDI                          | (Unit-I, SQA-7)   |
| 2. Legal Issues in Franchising  | (Unit-II, SQA-8)  |
| 3. Merchandising Planning       | (Unit-III, SQA-4) |
| 4. Retail Communication Mix     | (Unit-IV, SQA-8)  |
| 5. Visual Merchandising         | (Unit-IV, SQA-15) |
| 6. Types of Store Layout        | (Unit-IV, SQA-3)  |
| 7. Zero Level Channel System    | (Unit-V, SQA-5)   |
| 8. Reasons for Channel Conflict | (Unit-V, SQA-6)   |

**PART - B (5 × 12 = 20 Marks)****[Essay Answer Type]****Note : Answer all the questions**

- |  |                        |
|--|------------------------|
| 9. (a) Explain the functions and activities of retailing.                              | (Unit-I, Q.No. 12, 13) |
| OR   |                        |
| (b) Write the role of retailers in creating customer satisfaction.                     | (Unit-I, Q.No. 6)      |
| 10. (a) Write the advantages and disadvantages of franchising.                         | (Unit-II, Q.No. 13)    |
| OR   |                        |
| (b) Write about the concept of life cycle in retail.                                   | (Unit-II, Q.No. 19)    |
| 11. (a) How do you check and correct the merchandising performance?                    | (Unit-III, Q.No. 15)   |
| OR   |                        |
| (b) Explain the factors which influence merchandising.                                 | (Unit-III, Q.No. 6)    |
| 12. (a) Explain the role of promotion policies at retail stores.                       | (Unit-IV, Q.No. 12)    |
| OR   |                        |
| (b) "Pleasant and attractive store environment is the part of promotion".<br>Comment.  | (Unit-IV, Q.No. 7)     |
| 13. (a) Design the channel mix for automobile spare parts.                             | (Unit-V, Q.No. 10)     |
| OR   |                        |
| (b) Explain the criteria for selecting channel partners for consumer durable products. | (Unit-V, Q.No. 7)      |

**FACULTY OF MANAGEMENT**  
**B.B.A V - Semester (CBCS) Examination**  
**November / December - 2018**  
**RETAIL MANAGEMENT**

Time : 3 Hrs]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]****Note :** Answer any **Five** of the following questions**ANSWERS**

- |                           |                    |
|---------------------------|--------------------|
| 1. Organized retail       | (Unit-I, SQA-9)    |
| 2. Reserve auctions       | (Unit-I, SQA-10)   |
| 3. Modern retail formats  | (Unit-II, SQA-3)   |
| 4. Cyclical theory        | (Unit-II, SQA-9)   |
| 5. LIFO - FIFO            | (Unit-III, SQA-11) |
| 6. POP                    | (Unit-IV, SQA-9)   |
| 7. 3 Level Channel System | (Unit-V, SQA-7)    |
| 8. Physical distribution  | (Unit-V, SQA-2)    |

**PART - B (5 × 12 = 60 Marks)****[Essay Answer Type]****Note :** Answer **All** the questions

- |  |                         |
|--|-------------------------|
| 9. (a) Explain the growth of retailing in India.   | (Unit-I, Q.No. 14)      |
| <b>OR</b>  |                         |
| (b) Write about the impact of FDI on retail industry.                                      | (Unit-I, Q.No. 15)      |
| 10. (a) "Traditional retail formats are facing threat in many ways" explain with examples. | (Unit-II, Q.No. 4)      |
| <b>OR</b>  |                         |
| (b) Write about the different types of franchising and their merits and demerits.          | (Unit-II, Q.No. 12, 13) |
| 11. (a) "Merchandising manager must be very efficient in delivering functions". Comment.   | (Unit-III, Q.No. 7)     |
| <b>OR</b>  |                         |
| (b) Explain the methods of merchandising performance appraisal.                            | (Unit-III, Q.No. 14)    |



12. (a) Explain the types of stores layout and their merits. (Unit-IV, Q.No. 5)

**OR**

- (b) "Store layout design helps in high retail performance". Explain. (Unit-IV, Q.No. 4)
13. (a) Explain the steps to be taken to minimize and solve conflicts among the channel members. (Unit-V, Q.No. 14)

**OR**

- (b) Need and importance physical distribution - Explain with suitable examples. (Unit-V, Q.No. 20)