Retail Management
(As per New Syllabus 2018-19 of Mumbai University for T.Y. BMS, Semester - VI)

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Preface

We are happy to publish the first edition of our book on ‘Retail Management’ to the students and teachers of T.Y.BMS (Semester VI) marketing specialization course of University of Mumbai. This book is written on the lines of the syllabus prescribed by the University from the academic year 2018-19.

The business of retail in India has seen significant changes in the last few years. We have seen the emergence of new formats and the application of global concepts with modifications to suit the Indian environment. It not only provides the Indian consumer a wide choice, but also represents a very large employment opportunity for people with diverse skill sets.

This book has been written keeping in mind the Indian perspective. Aimed at the students of Retail Management, this book has been presented in a simple manner to aid easy comprehension of the underlying theory and concepts.

We are thankful to our families, friends and well-wishers who supported us in this endeavor. We are thankful to the student community who are the real inspiration for writing this book. A special thanks to Mr. Srivastava and the entire team of Himalaya Publishing House Pvt. Ltd. for giving us this opportunity and encouragement to write this book.

We shall appreciate and acknowledge all comments and suggestions aimed at improving the content of the book.

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Syllabus

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<td><strong>Total</strong></td>
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<th>S.N.</th>
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<td>To familiarize the students with retail management concepts and operations</td>
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<td>2</td>
<td>To provide understanding of retail management and types of retailers</td>
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<td>3</td>
<td>To develop an understanding of retail management terminology including merchandise management, store management and retail strategy</td>
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<td>4</td>
<td>To acquaint the students with legal and ethical aspects of retail management</td>
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<td>5</td>
<td>To create awareness about emerging trends in retail management</td>
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<td>Retail Management – An overview</td>
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<td>(a) Retail Management:</td>
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<td>• Introduction and Meaning, Significance, Factors Influencing Retail Management, Scope of Retail Management.</td>
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<td>• Concept of Organized Retailing: Factors Responsible for the Growth of Organized Retail in India, Multichannel Retailing: Meaning and Types, E-tailing: Meaning, Advantages and Limitations</td>
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<td>• IT in Retail: Importance, Advantages and Limitations, Applications of IT in Retail: EDI, Bar Coding, RFID Tags, Electronic Surveillance, Electronic Shelf Labels</td>
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<td>• FDI in Retailing: Meaning, Need for FDI in Indian Retail Scenario.</td>
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<td>• Franchising: Meaning, Types, Advantages and Limitations, Franchising in India</td>
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### 2 Retail Consumer and Retail Strategy

(a) Retail Consumer/Shopper:
- Meaning of Retail Shopper, Factors Influencing Retail Shoppers, Changing Profile of Retail Shoppers, Market Research as a Tool for Understanding Retail Markets and Shoppers.

(b) CRM in Retail:
- Meaning, Objectives
- Customer Retention Approaches: Frequent Shopper Programme, Special Customer Services, Personalization, Community.

(c) Retail Strategy:
- Meaning, Steps in Developing Retail Strategy, Retail Value Chain

(d) Store Location Selection:
- Meaning, Types of Retail Locations, Factors Influencing Store Location.

(e) HRM in Retail:
- Meaning, Significance, Functions.

### 3 Merchandise Management and Pricing

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(b) Buying Function:
- Meaning, Buying Cycle, Factors Affecting Buying Functions, Functions of Buying for Different Types of Organizations Young and Rubicam’s Brand Asset Valuator – Independent Store, Retail Chain, Non-store Retailer.

(c) Concept of Lifestyle Merchandising

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- Meaning, Need and Importance, Private Labels in India

(e) Retail Pricing
- Meaning, Considerations in Setting Retail Pricing
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## Managing and Sustaining Retail

(a) Retail Store Operations:
- Meaning, Responsibilities of Store Manager, The 5S’s of Retail Operations (Systems, Standards, Stock, Space, Staff).

(b) Store Design and Layout:
- Store Layout – Meaning, Types: Grid, Racetrack, Free Form.
- Signage and Graphics: Meaning, Significance, Concept of Digital Signage.
- Feature Areas: Meaning, Types: Windows, Entrances, Freestanding Displays, End Caps, Promotional Aisles, Walls, Dressing Rooms, Cash Wraps.

(c) Visual Merchandising and Display:
- The Concept of Planogram.
- Display- Meaning, Methods of Display, Errors in Creating Display.

(d) Mall Management

(e) Legal and Ethical Aspects of Retailing
- Licenses/Permissions Required to Start Retail Store in India.
- Ethical Issues in Retailing.
- Career Options in Retailing.
Maximum Marks: 75
Questions to be Set: 05
Duration: 2½ Hours
All questions are compulsory carrying 15 Marks each.

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<th>Particulars</th>
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<td>(A) Sub-questions to be asked (10) and to be answered (any 08)</td>
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**Note:**

Theory questions of 15 Marks may be divided into two sub-questions of 7/8 and 5/10 Marks.
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Retail Formats:
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- Multichannel Retailing: Meaning and Types, E-tailing: Meaning, Advantages and Limitations.

Emerging Trends in Retailing:
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1.1 Retail Management

1.1(a) Introduction and Meaning

Retail comes from the Old French word ‘tailler’ which means “to cut off, clip, pare, divide” in terms of tailoring. It was first recorded as a noun with the meaning of a “sale in small quantities” in 1433. Retail is the sale of goods and services from individuals or businesses to the end-user. Retailers are part of an integrated system called the supply chain. A retailer purchases goods or products in large quantities from manufacturers directly or through a wholesaler, and then sells smaller quantities to the consumer for a profit. Retailing can be done in either fixed locations like stores or markets, door-to-door or by delivery. Retailing includes subordinated services, such as delivery.

The term “retailer” is also applied where a service provider services the needs of a large number of individuals, such as for the public. Shops may be on residential streets, streets with few or no houses or in a shopping mall. Shopping streets may be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation. Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing.

The various processes which help the customers to procure the desired merchandise from the retail stores for their end use refer to retail management. Retail management includes all the steps required to bring the customers into the store and fulfil their buying needs.

Retail management makes shopping a pleasurable experience and ensures the customers leave the store with a smile. In simpler words, retail management helps customers shop without any difficulty.
Retailer

A retailer is a company that buys products from a manufacturer or wholesaler and sells them to end users or customers. In a sense, a retailer is an intermediary or middleman that customers use to get products from the manufacturers.

Manufacturers design and produce goods and products, but they rarely ever market and sell them to customers directly. Being able to produce goods is much different than being able to sell the goods to end-users. This is why most manufacturers stick to producing. Retailers are experts in marketing, sales, merchandise inventory, and knowing their customers. They purchase the goods from the manufacturers at cost and market them to consumers at retail prices.

Retailers spend millions of dollars on marketing campaigns to help sell products they carry. These advertising budgets come from the markup on the goods. The retail price can be anywhere from 10 per cent to 50 per cent higher than the manufacturer cost.

Functions of Retailer:

1. Buyer and assembler: A retailer performs the dual functions of buying and assembling of goods. The responsibility of a retailer is to identify the most economical source for obtaining the goods from the suppliers and passing on the advantages to the consumer.

2. Stocker: The retailers perform the functions of warehousing and storing. They store the goods in bulk and make them available as per the requirement of the consumer. Warehousing and store keeping helps in ensuring uninterrupted availability of the goods to the consumers.

3. Seller: The primary function of a retailer is selling the products to the customers for which various techniques or business practices are being adopted by the retailer to achieve the strategic goals.

4. Provides customer service: The prime focus of a retailer is on maximising customer satisfaction by delivering quality products and services both on cash as well as credit basis. As a result of which, retailer always runs the risk of accumulating bad debts on account of non-payment of the amount from the consumer.

5. Risk taker: A retailer needs to have robust risk management capabilities. Various kinds of risks can be involved in a retail business which a retailer should be well prepared with like loss or damage of the products due to deterioration in quality, perishability or spoilage. A change in customer’s buying preferences or tastes can also affect the retail business to a great extent, or even the products may be damaged due to the natural calamities or vagaries of nature.

6. Assorting merchandise: A retailer performs the crucial function of grading for all those goods which at times are either left ungraded by the wholesalers or manufacturers
so that the customers readily accept the goods. The retailer is responsible for the packing of goods in small packages or small containers for the customer’s convenience.

7. **Information gatherer:** The retailers are the direct point of contact or communication with the customers; hence they gather information regarding the changing tastes and preferences of the consumers, pass on the customer feedback to the manufacturers for continuous improvement in service delivery.

8. **Intermediary:** Retailers act as a vital channel for the launch of new products in the market as they are the direct interface with the consumers and can communicate directly with the targets consumers about the new product features and advantages.

9. **Marketer:** The retailers are responsible for the product promotion and advertisement by planning the product displays and visual merchandising for attracting the customers.

**Retailing**

![Retailing Image]

Retailing is a distribution process, in which all the activities involved in selling the merchandise directly to the final consumer (i.e. the one who intends to use the product) are included. It encompasses sale of goods and services from a point of purchase to the end user, who is going to use that product. Any business entity which sells goods to the end user and not for business use or for resale, whether it is a manufacturer, wholesaler or retailer, are said to be engaged in the process of retailing, irrespective of the manner in which goods are sold.

**1.1(b) Significance**

Retail management saves time and ensures the customers easily locate their desired merchandise and return home satisfied. An effective management avoids unnecessary chaos at the store. Effective Management controls shopliftings to a large extent. The retailer must keep a record of all the products coming into the store, the products must be well arranged on the assigned shelves according to size, colour, gender, patterns etc., plan the store layout well, the range of products available at the store must be divided into small groups comprising of similar products, such groups are called categories, a customer can simply walk up to a particular category and look for products without much assistance. A unique SKU code must be assigned to
each and every product for easy tracking, necessary labels must be put on the shelves for the customers to locate the merchandise on their own, don’t keep the customers waiting.

Retailing has mirrored the increasing prominence of the retail industry. Retailing provides necessary service and a positive contribution to the economy. The importance of retailing is given below:

1. **Retailing shapes the lifestyle of the people:** Retailing is an integral part of the modern society. It shapes the way of life. In the past, trading of goods was a part of a traditional society. But in recent times, buying and selling of goods have become a brand-dominated activity.

2. **Retailing contributes to the economy:** The importance of retail sector is reflected in its contribution to the growth of an economy. Its contribution is much more visible in the modern era than it was in the past. As the retail sector is linked to the significant portion of the economy, its contribution to GDP is substantial. Retailing is the driving force of the economy. It aims at promoting its sustained growth.

3. **Retailing dominates the supply chain:** Goods and service flow from manufacturers or service providers to consumers. Where consumers are large in number and are widely distributed, the role of retailers becomes crucial. Retailers serve as a connecting link between the wholesalers and consumers. Due to its dominant position in the supply chain, the retail structure has steadily developed over the years. Nowadays, retailing is characterised by large multiple chains rather than small scale independent retailers. The formalisation and growing importance of retailing has made it powerful in the distribution channel.

4. **Retailing is interdisciplinary:** The pace of growth within retailing is accelerating. Retailing has emerged from a number of interrelated disciplines such as geography, economics, management and marketing.

5. **Retailing is acknowledged as a subject area in its own right:** Potter has described the academic study of retailing as the “Cinderella of the social sciences”. Retailing is an accepted area of academic debate, such as marketing and management, developed fully as an area of study.

6. **Retailers enjoy status as major employers:** In today’s society, retailers are the major employers. It is estimated in developed countries that retail industry employs one in nine of the workforce. Retailers employ a significant proportion of the overall workforce. More than two thirds of the retail force are women. Also, more than half of retailing employees are employed on a part-time basis. This, highly flexible workforce is capable of adapting to the differing labour demands.
1.1(c) Factors influencing Retail Management

Following are the various factors that influence Retail Management

**Internal Factors:**

1. **Manufacturing Cost:** The retail company considers both, fixed and variable costs of manufacturing the product. The fixed costs do not vary depending upon the production volume. For example, property tax. The variable costs include varying costs of raw material and costs depending upon the volume of production. For example, labour.

2. **The Predetermined Objectives:** The objective of the retail company varies with time and market situations. If the objective is to increase return on investment, then the company may charge a higher price. If the objective is to increase market share, then it may charge a lower price.

3. **Image of the Firm:** The retail company may consider its own image in the market. For example, companies with large goodwill such as Procter and Gamble can demand a higher price for their products.

4. **Product Status:** The stage at which the product is in its product life cycle determines its price. At the time of introducing the product in the market, the company may charge a lower price for it to attract new customers. When the product is accepted and established in the market, the company increases the price.

5. **Promotional Activity:** If the company is spending high cost on advertising and sales promotion, then it keeps product price high in order to recover the cost of investments.

**External Factors:**

1. **Competition:** In the case of high competition, the prices may be set low to face the competition effectively, and if there is less competition, the prices may be kept high.

2. **Buying Power of Consumers:** The sensitivity of the customer towards price variation and purchasing power of the customer contribute to the setting price.

3. **Government Policies:** Government rules and regulation about manufacturing and announcement of administered prices can increase the price of the product.
4. **Market Conditions:** If the market is under recession, the consumers buying pattern changes. To modify their buying behaviour, the product prices are set less.

5. **Levels of channels involved:** The retailer has to consider a number of channels involved from manufacturing to retail and their expectations. The deeper the level of channels, the higher would be the product prices.

### 1.1(d) Scope of Retail Management

Retail management has become one of the fastest growing career in the industry with the tremendous growth in the economy. Retail Market of India is the most attractive and emerging market in the world and has demanded more number of trained professionals in this field. It strives to create a new generation of smart retail professional of international calibre and aims to equip them with the best practices being followed across the globe.

1. **Buying and Merchandising:** Merchandising and buying is often termed as a combination of arts and statistics. It is a key function for any retailer as this department is responsible for the procurement of merchandise to be sold in the stores by sourcing it from vendors or manufacturers. Key tasks in this career area include selection of vendors, costing of merchandise procured, allocation of merchandise to the stores, developing plans and calculating gross margins. This profile may require extensive travelling to locate vendors and exclusive merchandise for the retail stores.

2. **Marketing:** Marketing function may be centralised and may include different departments like advertising, sales promotion and public/press relations. Marketing would also look at ways of understanding the customer and his behaviour by way of focus groups and analysing of customer buying patterns to develop strategies and plans that guide marketing components like ads, websites, store signage etc.

3. **Store Operations:** Retails professionals in the store operations career area oversees overall store operations and profits. Positions include Head of store operations, regional manager and district manager and responsibilities in this area may include managing staff functions like loss prevention and human resources. Responsibilities in operations may vary from being responsible for a department, floor, the entire store or a group of stores.

4. **Sales:** Areas in sales include positions like sales associate, cashier, store stock associate and stock receiver. The primary duty of a sales staff is to serve customers on the selling floor actually selling goods. Front end sales staff may also be involved in receiving merchandise into the store shelf. Responsibilities may include receiving merchandise returned by customers. On the other hand a cashier would work behind the cash register desk and would be responsible for billing of the merchandise purchased by the customer and the collection of the required amount of money.

5. **Finance:** The finance retail career area includes all accounting and treasury functions like accounting for income, paying expenses, compiling and maintaining financial records, money management and cash flow control, banking, investments and credit lines. Auditing of stores for merchandise and money may also be a part of the responsibilities of this department.
6. Human Resources: Human resources in retail may range from recruiting and hiring employees to larger areas like identifying training needs at various levels within the organisation and then designing and implementing the programmes. Responsibilities may also include overseeing compensation and benefits, planning for and ensuring legal compliance in hiring and employment practices.

7. Technology and E-commerce: Careers in this department may range from overall responsibility for the data processing efforts with the chain, including system development may be another area which would be responsible for programming one segment of the business such as merchandising, finance or logistics.

8. Visual Merchandising: Visual Merchandising is largely associated with creating a look for the store. Visual merchandisers are responsible for the total merchandising or service presentation, the overall business image and even the building and placement of design elements. The increase in competition has necessitated retailers to differentiate them from their competitors.

9. Supply Chain Management and Logistics: Supply chain management and logistics are fast emerging as key focus areas in retail. Supply chain management is the integrated management of the flow of materials and products, services and information from raw materials, suppliers through operations, to final customer and back again. Effective management of the supply chain enhances profitability.

1.2 Retail Formats:

![Retail Formats Diagram]

<table>
<thead>
<tr>
<th>Classification of retail format</th>
<th>Store based Retailing</th>
<th>Non-store</th>
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<td>* Direct selling</td>
<td>* Banks</td>
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<td>* Mail order</td>
<td>* Car rental</td>
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<td>* Telemarketing</td>
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<td><strong>Form of Ownership</strong></td>
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<td>* Independent</td>
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<td>* Leased Departments</td>
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<td>* Convenience</td>
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<td>* Super markets</td>
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<td>* Speciality stores</td>
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<td>* Departmental stores</td>
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<td>* Off price retailer</td>
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<td>* Factory Outlet</td>
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<td>* Catalogue Showrooms</td>
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Retail markets are broadly divided into Organised and Unorganised forms. Generally the unorganised form of a retail set up is operated under a single ownership. E.g. mom and pop stores. Organised retailing can be classified based on different factors. Regardless of the particular type of retailer (such as a super market or a departmental store or a co-operative stores etc.), retailers can be broadly classified on the basis of (a) ownership (b) Store strategy mix and (c) Non-store operations

I. 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.

1. Independent Retailer: Generally operates one outlet and offers personalised service, a convenient location and close customer contact. They own and run a single shop, and determine their policies independently. Their family members can help in business and the ownership of the unit can be passed from one generation to next. The biggest advantage is they can build a personal rapport with consumers very easily. Most of the independent retailers fail because of the ease of entry, poor management skills and inadequate resources. For example, stand-alone grocery shops, florists, stationery shops, book shops, etc.

2. Retail Chain: When multiple outlets are under common ownership it is called a chain of stores. Chain stores offer and keep the similar merchandise. They are spread over cities and regions. It involves common ownership of multiple units. In such units, the purchasing and the decision making are centralised. Chains often rely on specialisation, standardisation and elaborate control systems. Consequently chains are able to serve a large dispersed target market and maintain a well-known company name. The advantage is, the stores can keep selected merchandise according to the consumers’ preferences in a particular area. For example, Westside Stores, Shopper’s Stop, etc.

3. Retail franchising: It 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. These are stores that run a business under an established brand name or a particular format by an agreement between the franchiser and a franchisee. They can be of two types: Business format for e.g. Pizza Hut and Product format for e.g. Ice cream parlours of Amul.

4. Cooperatives: A retail cooperative is a group of independent retailers that have combined their financial resources and their expertise in order to effectively control their wholeselling 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. These are businesses owned and run by consumers with the aim of providing essentials at a reasonable cost as compared to market rates. They have to be contemporary with the current business and political policies to keep the business healthy. e.g., Amul, Sahakar Bhandar
from India, Puget Consumers Food Co-Operative from the north US, Dublin Food Co-Operative from Ireland.

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

1. **Convenience Store:** It is generally a well situated, food oriented store with long operating house and limited number items. They are small stores generally located near residential premises, and are kept open until late night or 24 × 7. These stores offer basic essentials such as food, eggs, milk, toiletries, and groceries a store where milk, eggs, bread etc. are sold. They target consumers who want to make quick and easy purchases. For example, mom-and-pop stores, stores located near petrol pumps, 7-Eleven from the US, etc.

2. **Conventional Supermarkets:** It is a diversified store which sells a broad range of food and non-food items. These are large stores with high volume and low-profit margin. They target mass consumer and their selling area ranges from 8000 sq.ft. to 10,000 sq.ft. They offer fresh as well as preserved food items, toiletries, groceries and basic household items. Here, at least 70% selling space is reserved for food and grocery products. For example, Food Bazar and Tesco.

3. **Departmental Stores:** It is a multi-level, multi-product retail store spread across average size of 20,000 sq.ft. to 50,000 sq.ft. It offers to sell space in the range of 10% to 70% for food, clothing, and household items. A departmental store usually sells a general line of appeal for the family, household linens, home furnishing and appliances. Large format appeal departmental stores include Pantaloons, Ebony, Shoppers stop and Westside, The Bombay Store, Ebony, Meena Bazar from India, Marks and Spencer from the UK.

4. **Specialty Store:** These retail stores offer a particular kind of merchandise such as home furnishing, domestic electronic appliances, computers and related products, etc. They also offer high-level service and product information to consumers. They occupy at least 8000 sq.ft. selling space. It 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, Gautier Furniture and Croma from India, High and Mighty from the UK.

5. **Hypermarkets:** It is a special kind of combination store which integrates an economy super market with a discount department store. These are one-stop shopping retail stores with at least 3000 sq.ft. selling space, out of which 35% space is dedicated towards non-grocery products. They target consumers over the large area and often share space with restaurants and coffee shops. The hypermarket can spread over the space of 80,000 sq.ft. to 250,000 sq.ft. They offer exercise equipment, cycles, CD/DVDs, Books, Electronics equipment, etc. 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. E.g. Big Bazar from India, WalMart from the US.

6. **Factory Outlets:** These are retail stores which sell items that are produced in excess quantity at discounted price. These outlets are located in the close proximity of manufacturing units or in association with other factory outlets. For e.g. Nike, Bombay Dyeing factory outlets.

7. **Catalogue Showrooms:** These retail outlets keep catalogues of the products for the consumers to refer. The consumer needs to select the product, write its product code and handover it to the clerk who then manages to provide the selected product from the company’s warehouse. For e.g. Argos from the UK. India’s retail HyperCity has joined hands with Argos to provide a catalogue of over 4000 best quality products in the categories of computers, home furnishing, electronics, cookware, fitness, etc.

### III. Non-Store Retailing:

In non-store retailing customers do not go to stores to buy. On the other hand a non-retailer does not utilise 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. It is the form of retailing where the retailer is in direct contact with the consumer at the workplace or at home. The consumer becomes aware of the product via email or phone call from the retailer, or through an ad on the television, or Internet. The seller hosts a party for interacting with people. Then introduces and demonstrates the products, their utility, and benefits. Buying and selling happen at the same place. The consumer itself is a distributor. The major types of non-store retailing are,

1. **In Home/TV Home Retailing:** Here, a sales transaction takes place in a home Retail Formats setting – including door-to-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.

2. **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.

3. **Catalogue 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.

4. **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.

5. **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.

6. **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 website creates a virtual store front. When Internet transcripts are lightly, integrated with back end office system, the retailer can provide better services to customers while reducing the cost of operations.

**IV. Modern Retail Formats:** Modern Retail Formats refers to all other formats of retail stores like Hyper markets, Department Stores, Discount Stores, Convenience stores, Catalogue shops, Factory Stores etc.

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 offers a wide choice of products at lower prices. The major benefits of this format are:
   - Allows the customer to get involved with the product (see, touch and feel concept)
   - The ability to pursue the product offering
   - Try new product and impulsive purchase
   - Supermarkets, superstores and hypermarkets can be considered in the same family of retail format.

4. **Convenience Store:** The criteria applied to this store format are: 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. **Catalogue 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 Owed 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.

V. **Service Based**: These retailers provide various services to the end consumer. The services include banking, car rentals, electricity, and cooking gas container delivery. The success of service based retailer lies in service quality, customisation, differentiation and timeliness of service, technological upgradation, and consumer-oriented pricing.

1.2(a) **Concept of Organised Retailing**
Organised retailing refers to a form of retailing in which consumers can buy goods in a similar purchase environment across more than one physical location. Such retail may entail the use of different store formats like single product stores, department stores, malls etc. The categories of goods retailed would include food, grocery, apparels, consumer durables, jewellery, footwear, accessories, home décor etc.

Organised Retailing, thus, refers to the trading activity undertaken by licensed retailers that is those who are registered for sales tax, income tax, etc. The relative uniformity and standardisation retailing are the key attributes of modern retail. These include Retail Chains, Hyper Markets, Super Markets, privately owned large retail business, Convenience stores, Departmental Stores, Exclusive outlets, etc. Organised retail chains can get bulk discounts on large purchases and reduce cost eliminating middlemen and by reducing the supply chain.

The advantages of organised retailing are:

1. Enhancing quality through skilled processing, grading and delivery of goods.
2. Lower price through better expertise in managing back end activities such as sourcing and inventory management as well as the ability to strengthen the front end functions of merchandising, promotions and customer services.
3. Creating a level playing field for small and medium enterprises.

Modern Trade as also been defined as any organised form of retail or wholesale activity which is typically a multi outlet chain of stores or distribution centres run by professional management.

The retail sector comprises of establishments primarily engaged in retail merchandise. The retailing process is the final step in the distribution of merchandise, retailers are therefore organised to sell merchandise in small quantities to the general public. The growth of organised retailing is thus expected to lead to value migration from wholesale trade to retail trade.

**1.2(b) Factors Responsible for Growth of Organised Retail in India**

Organised Retailing include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Un-organised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors.

Organised retailing is a recent development. It is the outcome of socio-economic factors. India is standing on the threshold of retail revolution. Retail industry, one of the fastest changing and vibrant industries that, has contributed to the economic growth of our country. Within a very short span of time, Indian retail industry has become the most attractive, emerging retail market in the world. Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organised retail market in India.
The major factors responsible for the growth of organised retailing in India are as follows:

1. **Growth of middle class consumers:** In India the number of middle class consumer is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper. They expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers. Hence this has resulted into growth of organised retailing in India. Growing consumerism would be a key driver for organised retail in India. Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence (meeting) of consumer tastes.

2. **Increase in the number of working women:** Today the urban women are literate and qualified. They have to maintain a balance between home and work. The purchasing habit of the working women is different from the home maker. They do not have sufficient time for leisure and they expect everything under one roof. They prefer one-stop shopping Modern retail outlets therefore, offers one store retailing.

3. **Value for money:** Organised retail deals in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in distribution channel. Organised retailers offer quality products at reasonable prices. Example: Big Bazaar and Subhiksha. Opportunity for profit attracts more and more new business groups for entering in to this sector.

4. **Emerging rural market:** Today the rural market in India is facing stiff competition in retail sector also. The rural market in India is fast emerging as the rural consumers are becoming quality conscious. Thus due to huge potential in rural retailing organised retailers are developing new products and strategies to satisfy and serve rural customers. In India, Retail industry is proving the country’s largest source of employment after agriculture, which has the deepest penetration into rural India.

5. **Entry of corporate sector:** Large business tycoons such as Tatas, Birlas, and Reliance etc. have entered the retail sector. They are in a position to provide quality products and entertainment. As the corporate – the Piramals, the Tatas, the Rahejas, ITC, S. Kumars,
RPG Enterprises, and mega retailers – Crosswords, Shopper’s Stop, and Pantaloons race to revolutionise the retailing sector.

6. **Entry of foreign retailers**: Indian retail sector is catching the interest of foreign retailers. Due to liberalisation multinationals have entered our country through joint ventures and franchising. This further is responsible for boosting organised retailing.

7. **Technological impact**: Technology is one of the dynamic factors responsible for the growth of organised retailing. Introduction of computerisation, electronic media and marketing information system have changed the face of retailing. Organised retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services. One of the major technological innovations in organised retailing has been the introduction of Barcodes. With the increasing use of technology and innovation retailers are selling their products online with the help of Internet.

8. **Rise in income**: Increase in the literacy level has resulted into growth of income among the population. Such growth has taken place not only in the cities but also in towns and remote areas. As a result the increase in income has led to increase in demand for better quality consumer goods. Rising income levels and education have contributed to the evolution of new retail structure. Today, people are willing to try new things and look different, which has increased spending habits among consumer.

9. **Media explosion**: There has been an explosion in media due to satellite television and internet. Indian consumers are exposed to the lifestyle of countries. Their expectations for quality products have risen and they are demanding more choice and money value services and conveniences.

10. **Rise of consumerism**: With the emergence of consumerism, the retailer faces a more knowledgeable and demanding consumer. As the business exist to satisfy consumer needs, the growing consumer expectation has forced the retail organisations to change their format of retail trade. Consumer demand, convenience, comfort, time, location etc. are the important factors for the growth of organised retailing in India.

**1.2(c) Multichannel Retailing**

![Multi-Channel Retailing](image-url)
(i) Meaning

Multichannel retailing is when a company provides numerous ways for customers to purchase goods and services. This marketing strategy could include selling through traditional outlets such as catalogues, brick-and-mortar stores, mail, and telephone. But, it also includes non-traditional electronic and mobile outlets like websites, chats, emails, apps, and social networks.

Multichannel retailing is a way to build a brand and reach a lot of consumers. Single channel retailers are evolving onto multi-channel retailers to attract and satisfy more customers. By using a combination of channels, retailers can exploit the unique benefits provided by each channel.

Multi-channel marketing places the product at the center of a multi-spoked wheel where the customer is never more than a click or clerk away from buying. In other words, multi-channel ecommerce and retailing lines up perfectly with how customers already shop.

(ii) Types
Retailers can use a variety of channels including the Internet, catalogue and direct mail, direct selling, television home shopping and automated retailing.

1. **Internet Channel:** It is also called as Online retailing or e-tailing. It is a channel in which the offering of products and services for sale is communicated to customers over the Internet.

2. **Catalog Channel:** It is a non-store retail channel in which the retail offering is communicated to customers through a catalogue mailed to customers.

3. **Direct Sales:** It is a retail channel in which salespeople interact with customers face to face in a convenient location, either at the customers home or at work. Direct sales people demonstrate merchandise benefits and explain the service, take an order and deliver the merchandise. It is an highly interactive channel.

4. **Television Home Shopping:** It is a retail channel in which customers watch a TV programme that demonstrate merchandise and then place orders for that merchandise usually by telephone or the Internet.

5. **Automated Retailing:** It is retail channel in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or use a credit card. Automated retailing machines are also known as Vending Machines.

### 1.2(d) E-Tailing

(i) **Meaning**

The word E-tail has its roots in the word ‘retail’. Here the letter E stands for ‘electronic’ since the shopping process happens through the electronic media (Internet). With the use of a web-space a virtual shop is created and the products are displayed through images in this space with the features and price tags. By accessing this shopping site a customer can choose his/her products into a cart. The payment to this product can be done in various modes as mentioned by the shopping site. The product would be delivered to the address specified by the customer.

Electronic retailing is the sale of goods and services through the internet. Electronic retailing, or e-tailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising. E-tailing
requires businesses to tailor traditional business models to the Internet and its users. Example of e-tailing are Amazon, ebay, flipkart, myntra etc.

(ii) Advantages of E-Tailing

Following are the various advantages of E-tailing;

1. **Cost:** e-tailware software helped retailers in updating the information against competition and avoids the expenses by creating online catalogues instead of paper catalogue.
2. **E-tailing creates a global bazaar** style marketplace that gathers many consumers and many retailers.
3. **Access (no physical location):** Travelling is not required to see and compare products since all information about the products are available online.
4. **Inventory:** Inventory of the products can be placed in larger quantity with all ranges available with a particular retailer without worrying about the space limitation and shelve availability for that product.
5. **Flexible Time:** Time flexibility in accessing the shop is a significant advantage of e-tailing. A customer can access the shop 24/7 according to their need and comfort.

(iii) Limitations of E-tailing

Following are the various disadvantages of E-tailing;

1. **Unfulfilment:** The major issue facing Internet retailers is “unfulfilment” or the inability of the business to deliver the customer orders accurately. Most deliveries by Internet companies contain some errors. Goods ordered for special occasions like Christmas, Diwali etc., are delivered late. Internet companies outsource such services to parcel couriers.
2. **Security Concerns:** A major barrier to the use of the Internet for the transaction is security. There is a need for secure electronic transaction which will allow credit cardholder and merchant to authenticate each other during an Internet transaction.
3. **Network Limitations:** In electronic retailing, the visual impact of website is very important. But it raises conflicts. Graphic and multimedia attributes assume that the customer end has access to a high specification PC. Customers are frustrated when they experience slow data transfer.
4. **Demographics:** Web applications should demonstrate clear relevance to the customer base. The pages on the website should be targeted at specific online customer groups. These pages should be dynamic enough to cope with the changing interests of customer groups.
5. **Culture:** Customer should feel comfortable with electronic shopping. However, purchasing over Internet is fraught with difficulties. Customers are reluctant to supply their credit card details over the Internet. They consider it to be too risky and fear breach of security. So, popular web browsers have incorporated secure payment encryption algorithms. Experiments on payment without having to transmit card details over the internet have been unsuccessful.
6. **Easy To Hack:** It is often easier for hackers to obtain credit card details, passed over a cordless or mobile telephone.

7. **Social acceptance is doubtful:** The commercial success of Internet technology depends upon the fundamental question of social acceptance. Only when users of technology are motivated to become customers, electronic commerce will flourish.

### 1.2 Emerging Trends in Retailing

Retailing today is the fastest growing sectors in the global economy and is under transition phase; not only in South Asian countries like India and China but throughout the world. The increased popularity of organised retailing is mainly because of the consumers’ changing behaviour. This change has become possible due to double income families, breakup of joint family concept, changing lifestyles and favourable demographic patterns. Today consumers prefer to shop at places where they can get grocery, food, entertainment and others daily routine items under one roof. This has made retailing the most attractive sector of the Indian economy.

Following are the recent trends that have stood out in recent years and continue to grow further:

1. **New retail formats:** Combinations of these retail formats are emerging and have opened a new world of opportunities for Indian youth. Due to huge amounts of new investments and decreasing charm for ‘kirana’ stores, the retail sector is expected to grow. Bank branches, bill counters, saloons, Internet cafe have opened in the malls. The ‘cash and carry’ activities are expected to grab majority of attention.

2. **Internet age:** Increased computer awareness and shrinking usage charges have made people enabled buy things online resulting in growth of non-store retailing. Retailers are informing about new arrivals/fresh stock through e-mails, television, SMS and telephones to which anyone can respond to through toll-free 16 digit numbers.

3. **Specialty stores:** Stores like ‘Reliance Digital’, ‘Music World’ ‘Metal Junctions’, ‘Nokia World’ and ‘Pantaloons’ have their presence in most of the malls in the country. Departmental stores have given way to malls, having a mixture of large and small retailers offering varied brands for each and every section of the society.

4. **Sales promotion:** Promotional channels are increasingly becoming professional and targeting differently to different lifestyle groups. Newer and newer promotional techniques are emerging. Event managers are hired and visual merchandising professionals are consulted. Today retailers are not sticking to traditional methods of promoting a sale but personal selling door-to-door selling. Free home delivery and payment through plastic money have emerged and is being widely used. Use of