

Retail Management

By: Sachin Dhamija

This reference book can be useful for
BBA, MBA, B.Com, BMS, M.Com, BCA, MCA
and many more courses for Various Universities



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Sample Preview of The Chapter

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RETAIL MANAGEMENT

AN OVERVIEW OF RETAILING ENVIRONMENT

Introduction to Retailing



INTRODUCTION

Globally, every industry is dependent on its customers and that's the reason every shopkeeper feels that "Customer is the King". In India majority of products are sold by shopkeepers who are located in every nook and corner and are existent since many decades. Despite being operational for a long time they are fragmented and are operational with skeleton labour force for optimum utilisation of resources. The interdependence and expectations of shopkeepers and customers with each other has led to deepening the roots of retail industry.

In a brief, retailing is the business of selling products and services to the end customer or consumer for their own or household utilisation. Retailing encapsulates various activities like procurement, publicizing, data management etc. Many companies are indulging themselves in hitting direct to customers at their residence or work place but a customer prefers to buy a product from any outlet. Hence it's customary on retailer part to be vigil on its proximity to customer, convenient shopping hours, maintaining adequate stock level and types, keeping customer-friendly staff and providing other value added services.

If we have a look at customers purchase graph, many customers opt for those items which are not in their buying list but grab the product immediately once they see it on rack. Hence a retailer tries to place its various products in its store in such a fashion that most

of the products are visible. Good visibility is coupled with good store architecture, appropriate lighting system, and customer-friendly staff to assist a customer in choosing a right product.

CHAPTER AT A GLANCE

WHAT DOES THE RETAILING INDUSTRY INCLUDE?

Different types of retailing outlets are as follows:

1. Departmental Store
2. Discount Store
3. Clothing Store
4. Speciality Store
5. Convenience Store
6. Grocery Store
7. Drug Store
8. Home Furnishing Retailers
9. Supermarket
10. Superstore
11. Automobile Outlets
12. Footwear Outlets
13. Catalogue and Mail Order Companies
14. E-commerce Retailers.

THE IMPORTANCE OF RETAILING

In India estimated figures till the year 2008 shows that in India organised retailing has touched a figure of 7% and remaining 93% is all unorganised. Globally retailing is a industry which hold a major pie in the overall economy. Retail industry has a high turnover but also generates employment for millions. In today's

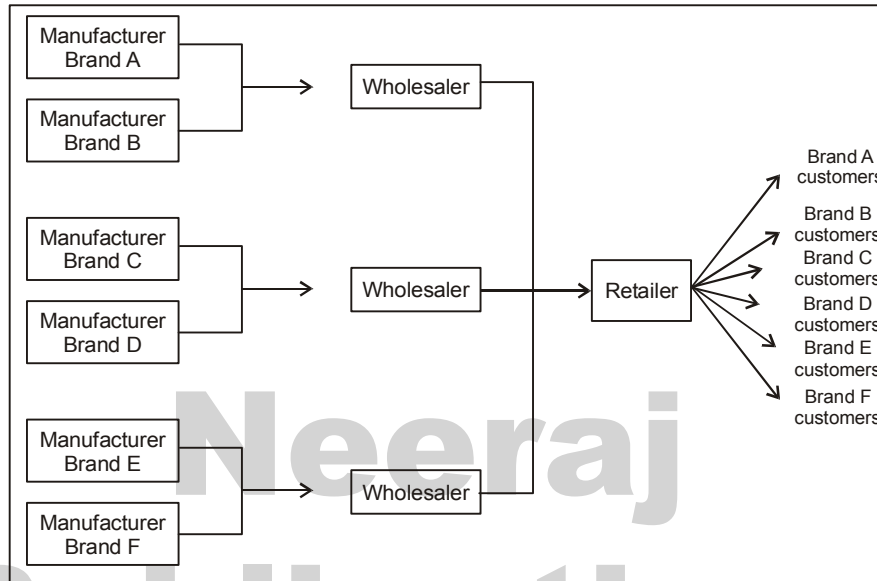
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fast paced environment young blood is en-cashing the opportunities across all verticals and horizontal in retail sector.

Since retailing is the last phase of supply chain hence it has its significance as it is directly dealing with the customers or the consumers. It offers customers with wide variety of products under one roof duly

characterised with the service levels. Service levels being offered by the retailer has a direct impact on product branding and positioning.

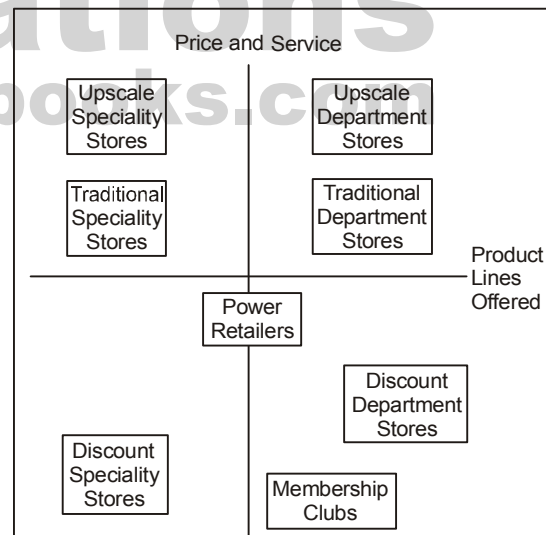
Today's smart customer demand is not only quality but also product variety and to offer product variety, a retailer procures categories, brand, style and types of product and services to be offered to customer. This process is known as "sorting".



In organised retailing, communication plays a vital role. A customer is made aware of retailers presence, its product mix and schemes through various marketing tools like print media, electronic media etc. Many big retailers go a step ahead and does a market research to decide the future course of action.

RETAIL STRATEGY AND STRUCTURE

Cause for retailer's presence is to have profits round the year. Profits are directly linked to store location, staff professionalism, product assortments and its quality etc. There are instances wherein an organisation and its competitor both do fairly well in the market and still flourish and make profits only because of efficient management and proper supply chain management. Every retailer is present to serve its customers and different customers have a different taste, needs and different quality preference, hence, its customary on the part of retailer to place himself at a level which best suits the requirements of the customer as shown in the figure below:



Margin Turnover Model

If we further try to classify the stores based on their margins and turnover then they can be classified as follows:

1. Low Margin High Turnover Stores
2. High Margin Low Turnover Stores
3. High Margin High Turnover Stores
4. Low Margin Low Turnover Stores.

Margin is defined as the percentage markup at which the inventory in the store is sold. Turnover is the number of times the average inventory is sold in a year.

Based on profit and margin any retail organisation will fall in any of the above mentioned categories.

Low Margin High Turnover Stores

These types of stores offer commodities at lower prices as compared to prevailing open market prices. Even in their marketing propaganda they emphasize on marketing as they feel that prices is the significant factor in determining a customer footfall and thereafter sale. Here a customer buys a product by himself and retailer doesn't have to push in for his sale. Even the service levels are low.

High Margin Low Turnover Stores

These outlets store in a good range of fast moving goods and are located at isolated places. Well-known brands are in their inventory and these brands are the cause of consumer to drop in the store. Pantaloon and Subhiksha fall in this category.

High Margin High Turnover Stores

These types of retail outlets sell a narrow product assortment which has a good turnover. They are generally in non-commercial area and their location advantage permits them to demand higher product prices.

Low Margin Low Turnover Stores

In today's market retail firm's margins have squeezed because of fierce competition. Also the expenses bleed because of poor management, inferior location etc. This type of business generally shuts down fast.

RETAIL FORMATS

(CLASSIFYING RETAIL FIRMS)

Any retail organisation can be classified on the basis of:

1. Ownership
2. Store based retail strategy-mix
3. Non-store based retail strategy-mixed.

Classification on the basis of Ownership

- Independent
- Chain
- Franchise
- Leased department

- Consumer cooperative

Lets us talk in detail about these:

1. Independent Retailer: Operates only one retail outlet that is conveniently located to the customer. Majority of the retailers in India fall under this category as the freedom to choose location, manpower, formulate strategies for sale enhancement. Some examples are floweriest, stationery shops, toys shop etc. However this model is not a great success as it requires individual professionalism, intellectuality and hard work which are a rare combination in it. Let us see the merits and demerits of this model:

Advantages	Disadvantages
1. Flexibility in formats, locations, and strategy.	1. Lack of bargaining power.
2. Control over investment, costs and personnel functions, strategies.	2. Lack of economies of scale.
3. Personal image.	3. Not a labour intensive operations.
4. Consistency and independence.	4. Over-dependence on owner.
5. Strong entrepreneurial leadership.	5. Limited long-run planning.

2. Retail Chains: Two or more outlets are under a common ownership, and involves central purchasing and decision-making. Let us see the merits and demerits of this model.

Advantages	Disadvantages
1. Bargaining power.	1. Limited flexibility.
2. Cost efficiencies.	2. Higher, investment costs.
3. Efficiency from computerization, sharing warehouse and other functions.	3. Complex managerial control.
4. Defined management philosophy.	4. Limited independence among personnel.
5. Considerable efforts in long-run planning.	

3. Retail Franchises: Let us now understand the meaning of franchising.

It is a contractual agreement between a franchisor and a retail franchisee, which allows the franchisee to

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conduct business under an established name and according to a given pattern of business.

Franchisee pays an initial fee and a monthly percentage of gross sales in exchange for the exclusive rights to sell goods and services in an area.

4. Leased Department: When a section of a department in a retail store is leased/rented to an outside party. Let us see the merits and demerits.

Advantages	Disadvantages
1. Provides one-stop shopping to customers.	1. Lessees may negate store image.
2. Lessees handle management.	2. Procedures may conflict with department store.
3. Reduces store costs.	3. Problems may be blamed on department store rather than lessee.
4. Provides a stream of revenue.	

5. Retailer Cooperatives: These are the associations of independent retailers who engage in centralized buying, promotion, sharing of resources, maintaining their independence and are effective in cost sharing. This form is not very well-known in India but it is slowly gaining visibility after the success of "AMUL" in India.

Classification on the basis of Store Strategy-mix

1. Convenience Store: It is also known as C-Store and as their name implies they are meant for customer's convenience in the form of their proximity, longer operation hours and product assortment. A customer generally find kitchen items like eggs, butter, ghee, biscuits etc. in these stores.

2. Super Market: These forms of outlets are not new in Indian Markets. Stores like Super Bazaar, Kendriya Bhandar fall in this category. It is a all-product store which deals in food and non-food items like, jams, jellies, eggs, washing powder, hosiery items, apparels etc.

3. Department Store: This type of store generally deals in common household non-kitchen items like, apparels, artificial jewellery, linens, mats etc. People generally confuse department store with Convenience store. Pantaloon, Westside, Shopper Stop fall in the category of department store.

4. Speciality Store: As the name implies they deals in a specified category of products and hence are special in itself. They deal with a narrow product line like automobiles, electronics, jewellery, etc. Store like Hot Spot, Mobile World, Music World, Planet M fall in this category.

5. Hyper Market: Hyper means big and Hyper Market is a combination of Convenience Store and Department Store present on a big area. Common example is Big Bazaar which is spread on an average area of 26,000 square feet to 80,000 square feet.

Non-store Retailing: In non-store retailing a customer is not required to go to the store for buying the merchandise. Take an example of aquaguard water purifier wherein at the time of aquaguard inception their sales/demo executives used to go door-to-door for product promotion/sale. Here a transaction takes place outside the store. Common form of non-store retailing is:

1. In Home Retailing: Also known as DTD retailing which stands for Door-to-Door retailing. Here sale executive visits home or office to sell its product. Common examples are Home Foil, Aquaguard. This type of retailing provides convenience of being at home but lacks product variety.

2. Telephone/Telesales Retailing: Here a company makes a contact with its potential customer over the phone and explains product/service features and benefits and tries to confirm the order over phone itself. Various banks promote their loan schemes, account opening, credit cards, insurance etc. through this concept.

3. Catalogue Retailing: In this type of retailing a customer buys the product by looking its pictures, features and benefits mentioned in a catalogue and there after placing the order to a executive or on phone. This type of retailing is beneficial to a retailer as it requires minimal staff, lower operating costs and less shrinkage.

4. Direct Response Retailing: In this type of retailing a customer is exposed to a product by advertising in either print media or electronic media coupled with lucrative offer or scheme which prompts the customer to immediately place the order by any means. Home Shopping is an ideal example working in this format.

5. Automatic Vending Machines: This form of retailing is still in infancy stage but is gaining popularity because of its convenience. Automatic Vending Machines are like ATM machines wherein a customer can purchase common items like mineral water bottle, chocolate, flower, cold drink cans etc. by swiping their credit/debit cards or by paying cash. These vending machines are generally deployed at airports, railway stations etc. for customer conveniences.

6. Electronic Retailing/E-Tailing: Here a customer places its order over the internet and pays over internet. Various websites like, ebay, rediff, sify promote offer products like gift items, apparels, electronic items, toys etc. to be sold on-line and offers convenience of being in home or office.