RETAIL STR

CHAPTER 3

- A **retail strategy** is a statement identifying
- 1) the retailer's target market
- 2) the format the retailer plans to use to satisfy the tar
- 3) the bases upon which the retailer plans to build a su

- The target market is the market segments toward wh resources and retail mix
- A **retail format** is the retailer's type of retail mix (na offered, pricing policy, advertising and promotion pro and visual merchandising, and typical location and custo
- A **sustainable competitive advantage** is an adv competition that is not easily copied and thus can be m

APPROACHES FOR DEVE SUSTAINABLE COMPETI

- Advantage:-
- ➢ Building strong relationships with Customers
- ➢ Building strong relationships with Suppliers
- ➢ Achieving efficient internal operations

Building a Sustainable Competit
Advantage

- Seven important opportunities for retailers to de advantages are
- (1) customer loyalty,
- (2) location,
- (3) human resource management,
- (4) distribution and information systems,
- (5) unique merchandise,
- (6) vendor relations, and
- (7) customer service.

CUSTOMER LOYALTY

- **Customer Loyalty** means that customers are committe
- Loyalty is more than simply liking one retailer over anothe

CUSTOMER LOY

- More than simply liking one retailer over anothe
- Customers will be reluctant to patronize compe
- Retailers build loyalty by:
  - Developing a strong brand for the store or s
  - Developing clear and precise positioning stra
  - Creating an emotional attachment with custo programs

LOYALTY PROGRAMS

- Loyalty programs are part of an overall customer relations program.
- Members of loyalty programs use some type of loyalty car
- Purchase information is stored in a huge database known a

- Purchase behaviors of members of loyalty pr
  - Are identified when they buy because the card
  - Saved in Data Warehouse
    - What they buy
    - When they buy
    - How much they buy
    - How often they buy
    - How much they spend
    - What channel they use
- Develop personalized marketing effort to the

RETAIL BRANDS AND PO

- **A retail brand,** whether it is the name of the retailer or
emotional tie with customers that builds their trust and lo

RETAIL BRAND

- – Can create an emotional tie with custo
  trust and loyalty
- – Facilitates store loyalty because it stan
  of quality

- Stores use brand (store's name and store
  brands) to build customer loyalty

APPROACHES FOR BUIL
CUSTOMER LOYALTY

- Brand Image
- Positioning
- Unique Merchandise
- Customer Service
- Customer Relationship Management Programs

Positioning is the design and implementation of a reta
retailer in the customer's mind relative to its competito

A **perceptual map** is frequently used to represent th
preference for retailers.

LOCATION

- Location is the critical factor in consumer
- It is also a competitive advantage that is n
- Influences the merchandising mix and layo

HUMAN RESOURCE MAN

- Retailing is a labor-intensive business
- Knowledgeable and skilled employe retailer's objectives are critical asset success of several companies.

DISTRIBUTION AND INF SYSTEMS

- All retailers strive to reduce operating costs. Th customers the merchandise they want, when the that are required, at a lower delivered cost than
- Retailers can achieve these efficiencies by develo and information systems.

UNIQUE MERCHANDISE:

While it is difficult for retailers to develop a comp
merchandise, many retailers realize a sustainable
developing private-label brands (also called store br
developed, marketed, and available only at that retail

VENDOR RELATION

- By developing strong relations with vendors, reta
(1) to sell merchandise in a specific region, (2) to
terms than competitors who lack such relations,
in short supply.
- Example – Wal-Mart - P&G, BASF, MRPL, HUL

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CUSTOMER SERVICE

- Retailers also build a sustainable competitive advantage by
- Offering good service consistently is difficult.
- Customer service is provided by retail employees – and hu
machines.
- Customer service is a key element of store image in retaili

MULTIPLE SOURCES OF A

- To build a sustainable advantage, retailers typically don't re cost or excellent service. They need multiple approaches t position as possible.

- McDonald's Quick Service Restaurant Market.
- IKEA has a large group of loyal customers due to its stron shopping experience it provides its customers.
- Big bazaar's Exchange offers
- Flip kart's Bog billion day

THE STRATEGIC RETAIL PROCESS

- The strategic retail planning process is the set of steps tha
  a strategic retail plan.
- It describes how retailers select target market segment
  format, and build sustainable competitive advantages.

- **Steps involved in developing reta**

❖Establish Mission

❖Analyse situation

❖Identify options

❖Set objectives

❖Obtain and allocate resources

❖Develop implementation plan

❖Monitor progress and control

STEP I-DEFINE MISSION OF THE ORGANIZATION

- It highlights the following elements:
  - The product and services offered
  - The customers who will be served
  - The geographic areas that the orgnisation choos
  - The manner in which the firm intendsto compet

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STEP II:CONDUCT SIT ANALYSIS

- Management experts have developed various models for conducting situational analysis

- PEST

PORTER'S FIVE F

- This framework helps to evaluate entry ba
customers , substitute products and indust

INTENSITY OF RIVALRY

- Factors that determine intensity of rivalry
- Structure of industry costs
- Degree of differentiation
- Switching costs

THREAT OF NEW ENTRA

- Major barriers to entry include:
  - Economies of scale
  - Product differentiation
  - Switching costs
  - Cost disadvantages independent of scale
  - Access to distribution channels
  - Government policy

THREAT OF NEW SUBSTI

- Better performance
- Low brand loyalty
- New current trends
- Low switching costs

BARGAINING P

- **Suppliers :**
- Supplier power can be altered in many ways:
- Differentiation of inputs
- Switching costs for transferring to other supplie
- Availability of substitutes
- Supplier concentration
- Supplier dependence on volume
- **Buyers**

STEP III : IDEN
OPTIONS/STRATEGIC A

ALTERNATIVES AVAILABLE TO RETAILER ARE

- Market penetration
- Market development
- Retail format development
- Diversification

STEP IV : SET OBJE

- Good objectives are specific to time ,and indicat
- Sales volume targets
- Market share targets
- Retail expansion target
- Profitability to be achieved
- Liquidity
- ROI

STEP V:OBTAIN & A
RESOURCE

Resources

Human

STEP VI: DEVELOP STRA

- In order to be successful in segmenting the mark
- Measurable
- Accessible
- Economically viable'
- Stable

- RETAIL MIX
- MERCHANDISING MIX
- PRICING POLICY
- TYPES OF LOCATION S THE RETAIL STORE WILL BE L
- SERVICES OFFERED BY STORE
- COMMUNICATION PLATFORM ADOPTED BY RETAIL

RETAIL MIX & MERCHAN

- Retail mix is a marketing plan that resp
factors, such as location, pricing, perso
services and goods. A retail mix plan tar
customers and influence their purchasing
- The term "merchandise mix" is essentially
a retail store offers. It refers to the br
products a given retail store carries on a

STEP VII :IMPLEMENT TI
EVALUATE & CONTROL

- Merchandising must be single minded
- Focus on every aspect of the store
- Feedback on performance of new strateg
- Effectiveness of strategy to be evaluated
- Understanding of one own strengths

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LOCATION

- Why is Store Location Important for a R

- Location is typically prime consideration i
- Location decisions have strategic importa to develop sustainable competitive advant
- Location decisions are risky: invest or leas

TYPES OF LOCATION

- Free standing location/Isolated store
- Unplanned business district
- Planned shopping center

FREE STANDING LOCATI

- Neighborhood stores

✓ Convenience products

✓ Away from major markets

✓ Inside neighborhood

✓ Less competition, low rent, easy parking, better visibility.

✓ Difficulty in attracting customer

- Highway stores

- Attract customer passing highways
- \- Fast food restaurant, dhaba

FREE STANDING LOCATI

- Advantages:
  - Convenience
  - High traffic and visibility
  - Modest occupancy cost
  - Separation from competition
  - Few restrictions
- Disadvantages:
  - No foot traffic
  - No drawing power

UNPLANNED BUSINESS I

- Merchandise Kiosks – small temporary selling stations loc airports, train stations or office building lobbies.

- Downtown or central business district

➢ A hub of retailing activity
➢ Draws customer from across city and suburbs
➢ Metro CBDs attract customers outside city
➢ Connaught place in Delhi, commercial street in Bangalore upper middle class customer.
➢ Chandni chowk in delhi, chick in Bangalore and new mark lower middle class customers.

ADVANTAGE TO RETAILE

- Affluence returned
- Young professionals
- Returned empty-nesters
- Incentives to move provided by cities
- Jobs!
- Low occupancy costs
- High pedestrian traffic

SECONDARY & NEIGHBO BUSINESS DISTRICTS

SECONDARY BUSINESS DISTRICTS

- Unplanned cluster of stores located on a major intersectio
- Attract customers from many parts of cities.
- Dadar in Mumbai, Karol bag in Delhi.

NEIGHBOURHOOD BUSINESS DISTRICT

- Cluster and serve neighborhood trading area.
- Colonies

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SUBURBAN BUSINESS D

- Stores located in town's periphery.
- Rely on traffic of downtown.
- Growing market in Gurgaon and Noida, Bangalore

PLANNED SHOPPING CE

- Architecturally designed with parkin and operated as a unit. Connaught p designed as planned, but subsequent various sector markets are planned.

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REGIONAL SHOPPING CE MALLS

- Largest planned shopping centers .
- Major departmental stores, large tra
- Cross roads-Mumbai, Spenser plaza- mall

SHOPPING CENTERS

- Shopping Center Management Controls:

- Parking
- Security
- Parking lot lighting
- Outdoor signage
- Advertising
- Special events for customers

TYPES OF SHOPPING CE

- Neighborhood and Community Cen
- Power Centers
- Enclosed Malls
- Lifestyle Centers
- Fashion Specialty Centers
- Outlet Centers

NEIGHBORHOOD/COMM SHOPPING CENTERS

- Usually have a balance mix of stores, grocery, ch stores combined.
- Sector market complex in Chandigarh.
- Bander road in Mangalore
- Food street in VV puram Bangalore

SPECIALIZED MARKET

- Specialized market for a particular produc
- Ahmadabad for plastic material
- Ludhiana for machinery.
- Godown street in Chennai for clothes.

POWER CENTERS

Shopping centers that consist primarily of collecti such as discount stores (Target), off-price stores (Costco), and category specialists (Lowe's, Best

- Open air set up
- Free-standing anchors
- Limited small specialty stores
- Many located near enclosed malls
- Low occupancy costs
- Convenient
- Modest vehicular and pedestrian traffic

Name	Location	S
Lulu International Shopping Mall	Kochi	I I
Select City walk	New Delhi	I I
Phoenix Market City	Mumbai	I I
Elante Mall	Chandigarh	I I
Phoenix Market City	Chennai	I I
Fun Republic Mall	Lucknow	9 a
Mantri Square Mall	Bangalore	9 a

COMPARISON SHOPPIN

- Customers have a good idea of what type but don't have a strong preference for bra
- Competing retailers locate Near one ano
-
- Typical for furniture, appliances, apparel, c hand tools and cameras.

STEPS INVOLVED IN CHOO LOCATION

- IDENTIFY THE MARKET IN WHICH TO LOCATE THE
- EVALUATE THE DEMAND AND SUPPLY WITHIN THE
- IDENTIFY THE MOST ATTRACTIVE SITES
- SELECT THE BEST SITE AVAILABLE

STEPS INVOLVED IN CHOOSING

STEP 1: Market identification: market attractiveness t

STEP 2: Determining the market potential

- ***Demographic features of the population*** :

➢ Size-rural and urban

➢ Level of literacy, education

- ***Characteristic of the household in the area:***

➢ Average household income and distribution of income

➢ Average age

➢ Employment level and type of employment

- ***Competition and compatibility***

➢ Compatibility of the retail with other stores

➢ Analysis of the competitor

➢ Square Foot area of stores

STEPS INVOLVED IN CHOOSIN LOCATION

- **Law and regulations:**
- Various permissions
- Hours of operation
- Wages to be offered
- Holidays required

TRADE AREA ANALY

- Trade area “ a geographical area containing the customers for a specific goods or services’”
- Trade area analysis - trade area analysis is a methodology, basis for understanding, visualizing and quantifying the exte approximated trade areas.

- Majority of customers to the store
- Know the trade area for demographic and lifestyle segmen
- Promotional and communication strategy
- Assessing the viability of the site

A trade area consists of three parts:

1. Primary area- encompasses 50 – 80 % of store's customer . Area closest to the store possesses the highest density of customer to population and highest per capita sales.

2. Secondary area: containing additional 15 – 25 % of a stores customers. Attractiveness of this area comparatively lower than the primary area but contribute for a desired footfalls in the stores

3. Fringe area – include all remaining customer, and they are the more widely spread. Includes the remaining customer that shop occasionally at a location as a alternative to local shopping

Factors to be considered while analyzing t

- 1. Total size and density (demand and supply)
- 2. Per capita disposable income.
- 3. Education level.
- 4. Family system (joint / nuclear).
- 5. Occupation (job / professional / own busine
- 6. Standard of living.
- 7. Age group distribution.
- 8. Number of residents owning homes.
- 9. Number of manufactures, suppliers, wholesa
- 10. Size of competition.

STEP 3 & 4 : IDENTIFY ALT
AND SELECT THI

- Traffic
- Accessibility of the market
- Total number of stores and the types of stores that exist
- Amenities available
- To buy or to lease
- Product mix offered

METHODS OF EVALUATING T

Reilly's law of Retail gravitation:

"When two cities compete for retail trade from the immed
breaking point of attraction for such trade will be more or
population of two cities and inversely proportional tot the
immediate area of each city.

- Used to establish a point of indifference between two cit
project the physical trading area

- Reilly suggest consumer living between two cities will co
based in the distance of each area from consumer's home
- customers are willing to travel longer distances to larger
attraction they present to customers.

- This is in terms of mathematical formula:

(Ba/Bb)= (Pa/Pb) (Db/Da)2,where

Ba =business which city A draws from intermediate place

Bb = business which city b draws from intermediate place

Pa= population of city A

Pb= population of city B

Da = Distance of city A to the intermediate place

Db = Distance of city B to the intermediate place

If a retailer wants to know the spend of customers in city X w
population of 200000 and 50 kms from city B and has a popula
would deduce that for every rupee spend in city B the custom

- Assumptions of the retail gravity theory
  - The two competing cities are equally accessible from the majo
  - Population is a good indicator of the differences in the goods

HERFINDAHL-HERSCHM

- Known as HHI , commonly accepted measure of market c
- Determined by adding the square of the market share of e
  product and geographic market
- Takes into account the relative size and distribution of the
  when a market consists of a large number of firm of relativ
- HHI> 1800-concentrated
- HHI between 1000-1800 moderated concentrated
- unconcentrated

INDEX OF RETAIL SATUR THEORY

- **Index of Retail Saturation** (IRS) is the ratio of demand geographic area multiplied by annual **retail** expenditures fo household) divided by available supply (the square footage of trade in a geographic area)
  - Higher IRS indicates lower level of saturation thereby increa
  - Few stores –understored
  - Many stores-overstored-fair ROI
  - Saturation is calculated in terms of existing retail facilities an
  - Examines how the demand for goods and services of a poter
  - Being served by current retail establishments in comparison

IRS

- **Index of retail saturation (IRS)**: Ratio of divided by available supply

  IRS = (H × RE) /RF

  - IRS - Index of retail saturation for an a
  - H - Number of households in the area
  - RE - Annual retail expenditures for a p household in the area
  - RF - Square footage of retail facilities o in the area

HUFF'S MODEL OF TI
ANALYSIS

- David Huff - 1963
- States that consumers will shop at a store
  often if the size of the store or centre is i
  the shopping area is decreased.

- It is used to estimate sales for a particular
- The probability that a customer located a
  store j is calculated according to following

$$P_{ij} = \frac{S_j \div T_{ij}{}^b}{\sum_{j=1}^{n} S_j \div T_{ij}{}^b}$$

Where

P_{ij} = Probability of a customer at a given point of origin i tra
particular shopping center j

S_j = Size of shopping center j

T_{ij} = Travel time or distance from customer's starting point t
center

b = An exponent to T_{ij} that reflects the effect of travel time
kinds of shopping trips

CENTRAL PLACE THEORY

- Comprises of cluster of retail organisations
- Range-maximum customer is willing to travel for a produc
- Threshold-minimum amount of consumer demand that mu
- R>T -to be economically viable
- Needs of group of consumers in a particular location-dicta

development

Market concentration (HHI Index)

Herfindahl-Hirschman Index ("HHI"):

- Sum of the squares of the market shares.
- Market shares may be calculated by reference to capacity, sales volumes and/or sales values

Entit
A
B
C
Pre-m

ACCC unlikely to have horizontal competition concerns if:

- post-merger HHI is < 2000; or
- post-merger HHI is ≥ 2000 with a delta < 100

Entit
A
B+C
Post-

HHI is consistent with approach used in US and EU.

Not determinative of ACCC's view, just one of many factors

Post-r
Pre-m
HHI d

SPACE MANAGEMENT AI

Size and Space allocation:

- ✓ Retailers assign more space for merchandise that registers
- ✓ Large stocks of goods which experience high demand to a
- ✓ Use of historic sales data to provide the input for space m
- Space is usually measured by square meters / feet, shelf me
- Size and space allocation based on product size and sales optimal situation as net sales and margin will vary

SPACE IS THE MEDIUM T… TO:

- Display and promote our prod…

Racks and Shelves

Gondolas and Endcaps

Interactive Displays

OBJECTIVES OF SPACE M

- Enhance the Best Buy brand by improving our customer's
- Provide Retail with easy-to-execute Maps
- Analyze category and item effectiveness to determine the
- Provide customized maps and planograms to support mark
- To ensure a compatible exciting and rational interface betw sales person

SPACE MIX

- For retailer space is money
- Optimise the selling area and minimise the non selling part
- The area mix in a typical department store is

Selling area - 60%

Circulation area – 15%

Back area – 25%

ELEMENT OF SPACE MIX

- Check in space
- Red carpet space
- POP display and selling space
- Merchandise space
- Customer space
- Personnel space
- Back office space
- Checkout space
- Dead space

STRATEGIES IN SPACE M

- Space configuration: retailor and vendor - SIS concept
- Shelf position: out let position shelves in a store determine
- Shelf allocation: margin from product
- Special store needs: highlighting product

Categories

SPACE MANAGEMENT OI

- Use space effectively whether floor, page or virtual
- Optimise short- and long-term returns on investment into
- Provide a logical, convenient and inspiring product-custom
- Make right selection of products available
- Communication of retailer's brand identity

SPACE PLANNING PROC

- `Measuring retail space: Total amount of space should be mea
  physical space, the width, length, height should be taken in to
- Dividing the space into selling areas: in this stage the process
  retail space into selling area, usually defined by product catego
  allocated on the basis of the no. of fixtures that will be given t
- Determine layout: product adjacencies will be decided, and th
  determined.
- Determine the space allocation of product line: involves the a
  fixtures to each product line or stock keeping unit.

SPACE PRODUCTIVITY

- Sales volume and profitability can be measured in relation generate them
- This provides productivity measures, e.g.
  - sales per square metre
  - profit per square metre
  - sales per cubic or linear metre
  - profits per catalogue page

STAGE 2: DIVIDING SPA SELLING AREAS

- Allocation of space to product department or category
- Usually based on previous performance indication, typicall
- Some products require disproportionately large area (e.g. disproportionately smaller area (e.g. jewellery)
- Category life-cycle may influence amount of space

STAGE 3: DETERMINE LA PRODUCT ADJACENCIES

- Converting numerical data into a workable outlet layout, c
  - entrances, walkways, checkouts
- Consider space *quality*
- Consider logical flow through products and complementar

STAGE 4: ALLOCATING S
INDIVIDUAL PRODUCTS

- Products, like categories are often allocated space on the I
  - Advantage: product is less likely to sell out
  - Disadvantage: may not be profitable
- Different sales figures have advantages and disadvantages (
  - historical sales
  - market share
  - projected sales

SPACE ELASTICITY

- *Space elasticity* is a term for the relationship between an in line and the resulting increase in sales
- Space elasticity is not uniform amongst products or across
- Generally staple products have lower space elasticity than
- Cross elasticity is the relationship between the increase in resulting increase in sale of another product

SPACE ALLOCATION

- Allocating space according to product profitability
  - Advantage: best and most space devoted to products that b
  - Disadvantages:
    - wasting space because of low space elasticity
    - consumers may have difficulty finding products
- Long term customer satisfaction must be considered in sp

FINANCI
STRATE

FINANCIAL STRATEGY

- ANALYSISNG FINANACIAL PEFORMANCE IS DONE FO
- To identify gaps in the targets
- To identify opportunities for improvement
- To evaluate past and present performance

- Two basic methods of evaluating financial performance:
- Income statement
- Balance sheet

INCOME STATEMENT

- A record of revenues earned by the organization and the e
- COMPONENTS OF INCOME STATEMENT

a) Sales: Total money received by retailer from the sale of m

b) Cost of goods sold: expenses incurred by the organizatio

c) Gross margin:

Gross profit on sales+ Net sales –Cost of goods sold

d)Operating expenses: expenses incurred in producing goods

Non operating income-income that is not earned during norı

Eg: interest earned on any investment made

BALANCE SHEET

- Key elements of balance sheet

1. Fixed assets-land ,buildings, fixtures, com
2. Current assets –cash on hand, cash at ba
3. Long term liabilities
4. Current liabilities: interest on ; loan, wag payments to be made to suppliers

RATIO ANALYSIS

- Ratios look at relationship between individual value
company has performed in the past and might perf

Profitability ratios: measure margin earned in the bu

Gross profit margin = Gross profit/Sales

Controls production costs or margins it makes on pr

Operating profit:

ROCE-Return on capital employed:

Net profit before tax, interest and dividends/Total as

Takes in consideration The returns management has
available to them before making any distribution of t

LIQUIDITY RATIOS

- **Current Ratio** = Current assets/current liabilities.
- **Quick ratio =** Cash + Accounts Receivable/Current liabil

Financial leverage ratios:

Debt equity ratio = Long term debt/total equity

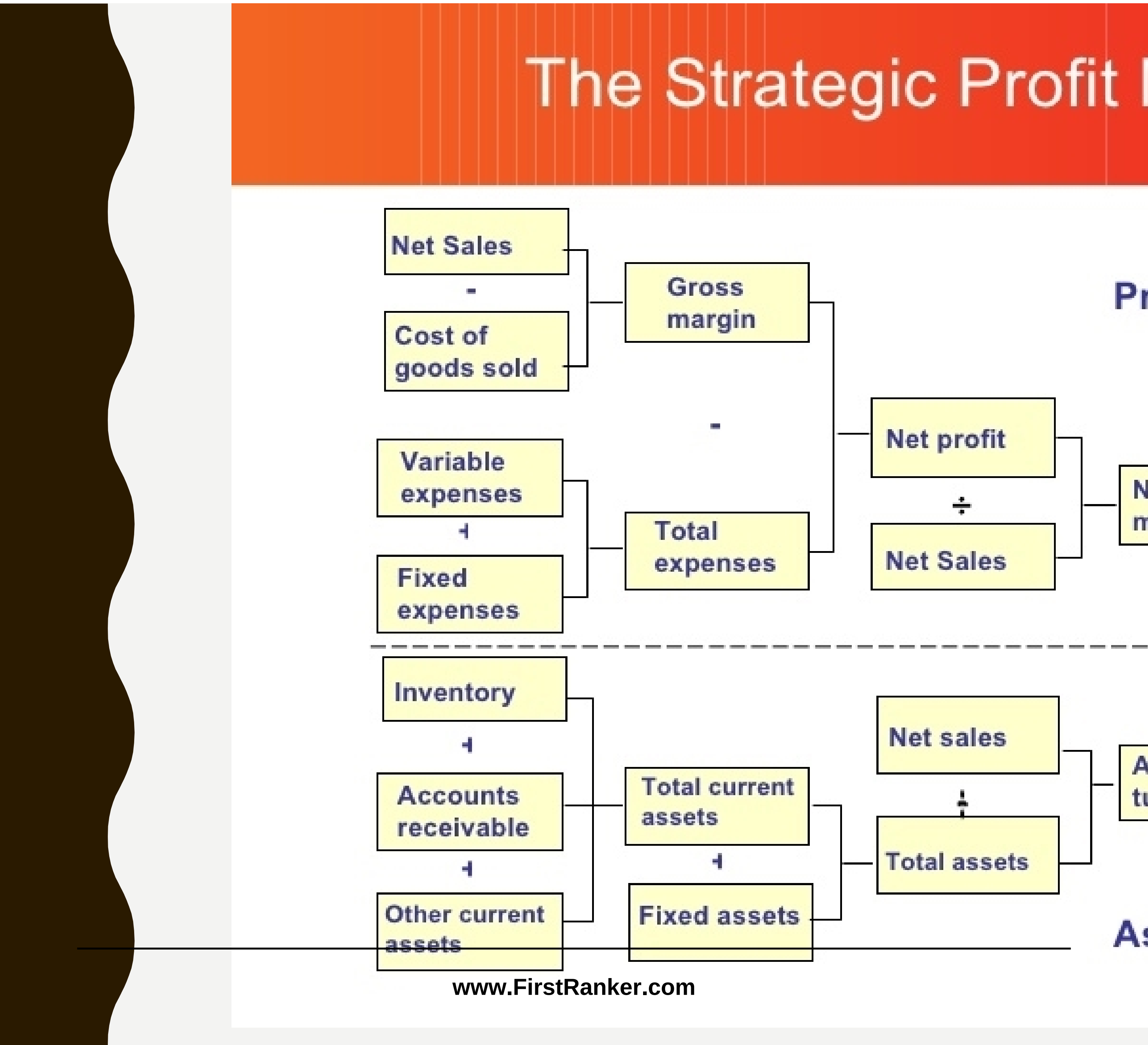
Long term debt-total equity ratio=long term debt/tong term

EPS=Earnings attributable to ordinary shareholders/ weighte
that year

P/E ratio= Market price of share/earning per share

Dividend yield= (Latest dividend per ordinary share/curren

Measures proportion of earnings retained by business than d


The Strategic Profit
Net Sales
-
Cost of goods sold
Gross margin
-
Variable expenses
+
Fixed expenses
Total expenses
Net profit
÷
Net Sales
Inventory
+
Accounts receivable
+
Other current assets
Total current assets
+
Fixed assets
Net sales
÷
Total assets

MEASURES OF MERCHA PERFORMANCE

- GMROI: tells a retailer how many times a year sto given margin
- Gross Margin/Average inventory

Inventory turnover ratio:

=Net sales/Average inventory at retail OR

Cost of goods sold/Average inventory at cost

MEASURING RETAIL PER AND SPACE PERFORMAN

GMROF: Gross margin of selling space or footage

- Calculated by dividing gross margin by the retail selling spa

Sales per square foot: total sales/total square feet of sellin

Conversion ratio:

No of customers who make a purchase*100

No of customers entering the store

Average sales per transaction/Average ticket size:

Total sales for the day by number of bills generated

MEASURING EMPLOYEE

Sales per employee:

Total sales/total number of employees in the store

GMROL:

- Gross margin/total number of employees in the store

SUPPLY CHAIN MANAGE

"All activities associated with moving goods from raw material stage thr

- This includes
- Sourcing and procurement
- Order processing
- Inventory management
- Transportation
- Warehousing
- Customer service
- **BENEFITS OF SCM :**
- Improved product availability
- Reduced stock outs

PUSH AND PULL SUPPLY

PUSH SUPPLY CHAIN

- Forecast or estimate of sales is made

Suitable when lead time for manufacturing is long

- Forecast of demand is made based on past sales, market
- Used for merchandise that has a predictable steady dema
- **PULL SUPPLY CHAIN**
- Used when it is possible to adjust production and invento market conditions
- Useful when there are variations in demand and difficult
- Orders are generated on the movement of merchandise at point of sales terminal

INFORMATION FLOWING S

- UPC-UNIVERSAL PRODUCT CODE
- Products or tags attached to them are marked with ser
- Retailer captures information at the point of sales and s monitors inventory levels

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UPC-UNIVERSAL PRODUC

- Thick and thin lines-represents items information code
- Retailer captures information-data is sent to a

computer to monitor inventory levels

- The suppliers computer – production schedule and pla
- Distribution center-to ship product to stores
- ASN-Advance shipping notice

Document that informs the distribution center about det
when it will be delivered.

RETAIL LOGIST

Logistics

- Part of the supply chain process that plans, implements and co flow and storage of goods, services, and related information b consumption in order to meet customers requirements

Reverse logistics

- Flow of returned or damaged merchandise to the stores distri

DATA WAREHO

- All data bases are maintained at one location
- Used for reporting and data analysis
- Housed on an enterprise mainframe server

COMPONENTS

- Data is physically stored
- Software copies original database and transfers
- them to the warehouse
- Processes inquiries
- Directory for categories of information
- available

DATA WAREHOUSE

- Database management involves following ste

1. Determine information needs , plan specifi components
2. Captures information accurately and store
3. Update the database regularly to reflect th demographics , purchase pattern
4. Analyses and leverages database for decisi

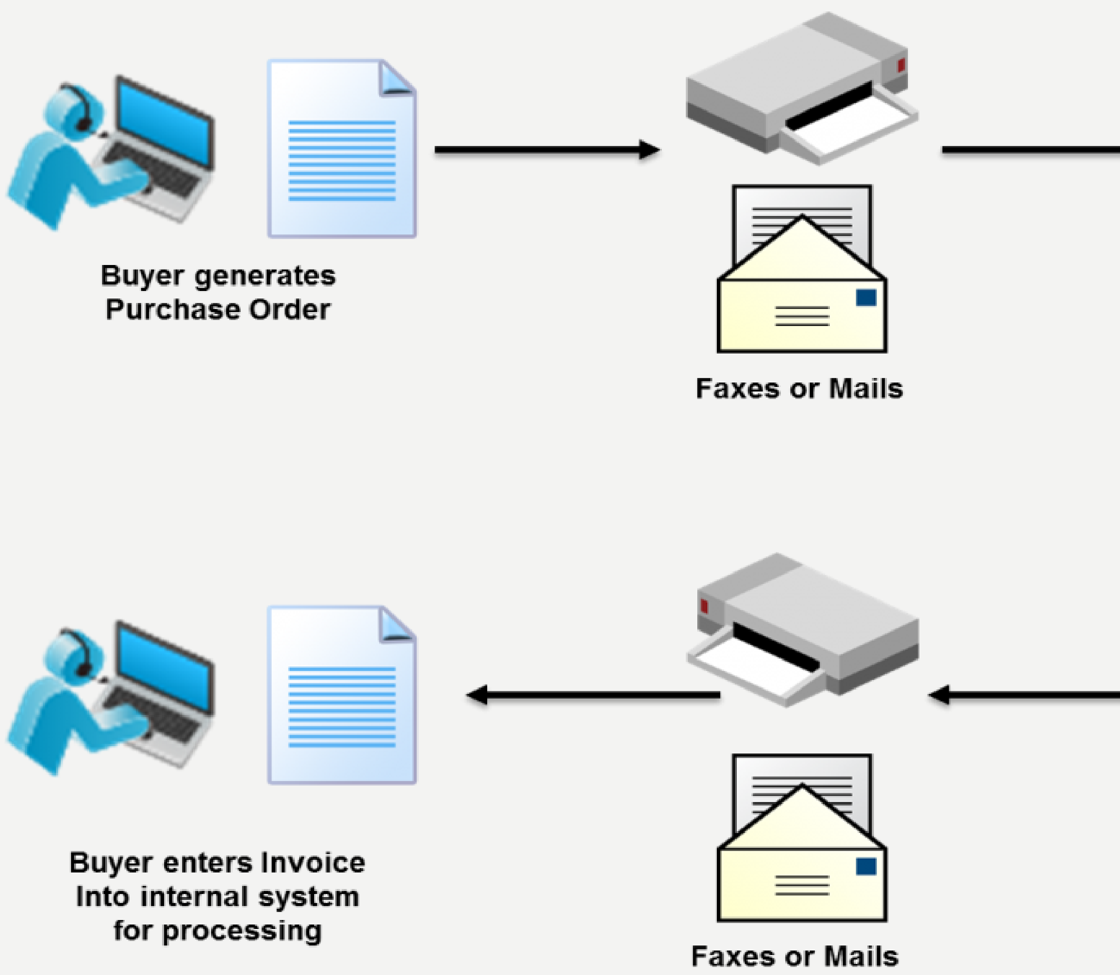
DATA MINING & EDI

- **Data Mining**
- In-depth analysis of information to study pa
- Uses special software to shift and sorts info warehouse
- Used for decision making on market segme

displays, promotional campaigns and sales tre

EDI-Electronic data interchange

- Computer to computer exchange of busin standard electronic format between busine
- .



Buyer generates
Purchase Order
Faxes or Mails
Buyer enters Invoice
Into internal system
for processing
Faxes or Mails

EDI

- There are 2 popular standard-
- UCS-Uniform communication standards
- Standard transaction sets allows computer to co
  exchange of documents and information
- is used by the grocery and retail-oriented industr
  transactions

VICS-Voluntary interindustry standard-standard us
and shipping containers in the general merchandisi

- Pioneered the implementation of cross industry
  that simplies the flow of products and informatio
  retailers and suppliers

- **Intranet** –internal communications between stores, DC's
- **Extranet**-External stakeholders including vendors, transp
- **Operations of distribution center**
- Receiving and checking
- Storing and cross docking
- Cross docking-Merchandise which is repackaged and mad move from unloading dock at the DC to the loading dock a few hours
- Cross docking speeds up delivery and saves 50% of transp
- Outbound transportation-DC's prepare an outbound trans of stores, road conditions, transportation operating constr routes.

ROUTING OPTIONS-DELIVERY

- Retailer has two routing options
- Distribution center
- Direct store delivery

THIRD PARTY LOGIST

- Third party Logistics Provider (3PL) performs logistics service
- company.
- 3PLs provide the management skills along with the physical a
- systems technology to provide professional logistics services,

responsibility of performing these services themselves.

3PL's typically can provide

- transportation, warehousing, pool distribution, management c

optimization, freight forwarding, transportation management, ra

evaluations, and contract management services.

3PL

- **Third party logistics providers usually specialise in**
- Integrating operations
- Warehousing
- Transportation services
- Cross-docking
- Inventory management
- Packaging
- Freight forwarding

FOURTH PARTY LOGISTI

- 4PL is the planning, steering and controlling of all logist
- flow of information, material and capital) by one servic
- objectives. Fourth party logistics (4PL) has evolved as a solution comprehensively integrating the competencies providers, leading edge consulting firms and technology
- Third party logistic suppliers provide logistics solution domain knowledge they have acquired over the years. solutions built around the domain knowledge provided
- solutions. 4PL leverages combined capabilities of manag concept of a 4PL provider is an integrator that accumu technologies to run complete supply chain solutions.

FUNCTIONS PROVIDE COMPANY

- Procurement
- Storage
- Distribution
- Processes

VMI-VENDOR MANAGED

- Vendor/supplier undertaking inventory management in sto
- This is called QRIS
- Supplier takes inventory replenishment decisions for the c
- Monitors inventory levels and makes supply decisions rega timing

CPFR - COLLABORATIVE FORECASTING & REPLEN

- Sharing of forecast and related business information betwe products at the retail end and to improve supply chain effi
- Share information on business strategies, promotion plans introduction , product schedule , the lead time informatio
- Increases product availability, and reduces cost.
- Process begins with an agreement between trading partne collaborate on planning,
- Also share forecasts results and data
- CPFR technology analyses data and if the forecasts do not the companies

EMERGING RETAIL TECH

1)Radio-frequency identification (**RFID**) uses electromagnetic

- automatically identify and track objects or persons at a dis

Radio waves. The tags contain electronically stored informatic

- Used in billing, inventory tracking and anti theft measures

2)Global positioning system (GPS) is technology that can give anywhere on earth with respect to latitude and longitude

3)Geographic information systems (GIPS) is a computer basec represent and analyze the geographical features present on th

It is useful in storing capturing analyzing and managing data anc

GPS and GIS are used in store locating decisions, consignment definitions and logistic solutions

RETAIL PRIC AND PROMOTI

RETAIL MARKETING MI

- Product –product development, product m
features and benefits , product branding an
sales service
- Price –costs , profitability , value for mone
Quality and status
- Place –Target market, Channel manageme
,Retail logistics and retail distribution
- Promotion –Advertising management , Sal
Developing promotion mix , Sales manage
and direct marketing
- People – staff capability , efficiency, availabi
customer interaction
- Presentation

RETAIL PRICING

Price defined as the exchange of goods and services i

Factors to be considered while arriving at pricing stra

1) Business model the retailer has chosen to follow

2) Demand for product & target market

- Store policies and image
- Competition for the product and competitor's pric
- Economic conditions

ELEMENTS OF PRICE

- Fixed costs-rent for office space,office equipment
- Variable cost-raw materials,hourly pay for contractor
- Price is the selling price per unit
- Break even point-where retailer neither makes nor lo

EXTERNAL INFLUENCES O
STRATEGY

I)Customers

- Price sensitivity
- Customer segments

a)economic-do not differentiate between various retailers or
service

b)Convenience oriented-prefer web shopping or shopping th

c) Image oriented-buy prestigious brands from value stores t
customer service

d)variety oriented-Look for diversity in the product category

- Loyalty oriented-purchase from familiar outlets
- Look for strong relationships with the establishmen

Difficult Comparison effect:

Store unique offerings whose prices cannot be compa high

Benefits /Price effect:

Defines the relationship between people's perception from a product and the price they pay for it

Benefits derived from ego gratification and recognitio

- Situational effect:

Rich décor and good ambience gives the feeling of hig product

- Suppliers:
- When a new product is introduced

Conflict between retailers and manufacturers

- Manufacturers who want to have control over pric consumer go in for exclusive distribution network
- Retailer has his own methods of gaining control
- Selling against Brand
- Gray market goods-branded goods bought in foreig proper payment of duty,imitation or stolen goods p invoice
- Retailer asks for price guarantees

CHARACTERISTICS

- The following characteristics influence bargaining power o
- Number of suppliers, size of suppliers
- Number of substitutes for a particular merchandise
- The switching costs from one supplier to another
- The suppliers level of forward integration to obtain higher

COMPETITORS

- Threat of new competitors will depend on the exte
  barriers to entry. Some barriers are
- Economies of scale-minimum size requirements for
- High initial investment and fixed costs
- Brand loyalty of customers
- Protected intellectual property such as patents ,lice
- Inadequacy of important resources
- Good customer relations of the existing players

COMPETITION

- Perfect competition-all firms sell an identical product
- Monopoly-when production of goods or service with no c
  single firm with market power to decide price of its outpu
- Produce less and sell at high price
- Oligopoly-produce as much and charge little

PERFECT COMPETITION

- Perfect competition is a market structure in which the foll
  All firms sell an identical product;
- 2) All firms are price takers - they cannot control the mar
- 3) All firms have a relatively small market share;
- 4) Buyers have complete information about the product b
  each firm; and
- 5) The industry is characterized by freedom of entry and e
  sometimes referred to as "pure competition".

GOVERNMMENT

- They are broadly divided into two:

1)One that affects buying of merchandise

- Price discrimination and vertical fixing

2)Affects the customer

- Horizontal fixing
- Predatory fixing

- Price discrimination
- When a vendor sells the same product to t customers at different prices, it amounts to discrimination
- Vertical price fixing-It involves agreements between parties at different levels of the m
- Horizontal price fixing-Agreements betwee on direct competition with one another to prices
- **agreement** for co-operation between tw competing businesses operating at the sam This is generally to develop a healthy relati competitors.
- Predatory pricing-establish merchandise pr competition away from the marketplace

MARK UP PRICING

- Mark up-difference between cost of final selling price
- Mark up=retail price –cost
- Cumulative mark up-calculated for g
- Initial mark up-difference between co merchandise and the initial retail pric
- Maintained mark up-difference betw merchandise cost and selling price

MARK DOWN

- Reduction on the normal selling price
- Mark down=Normal SP-Reduced SP

APPROACHES

- Cost oriented pricing
- Demand oriented pricing
- Competition oriented pricing
- Value oriented pricing

COST ORIENTED PRICI

A method of setting **prices** that takes into a
company's profit objectives and that covers i
production. For example, a common form of
pricing used by retailers involves simply add
percentage markup to the amount that the r
product.

The retailer has consider

- the product's average turnover
- Amount of competition for the product
- Level of service required
- Amount of sales time and effort

Basic Mark up is added to the cost of mercha

PRICING IN RETAIL

- Selling price= Cost + Markup
- Mark up%(retail)= (Retail SP-Merchandise cost)*100

  Retail SP

- Mark up%(cost)=(Retail SP-Merchandise cost)*100

  Merchandise cost

DEMAND ORIENTED PRIC

Demand oriented pricing as the name suggests uses the
the **price** in the market.

We first determine the customer's willingness to pay for an

A high **price** is charged when the **demand** is high and a low
the **demand** is low.

COMPETITOR PRICING

- When the prices adopted by the retailer plays an key role
- **Competitive pricing** is setting the **price** of a product o the **competition** is charging. This **pricing** method is usec similar products, since services can vary from business to l product remain similar.
- A firm with strong site, superior service, good assortment sets prices above competitors

STRATEGIES

- Differential pricing
- Price levelling
- Lifecycle pricing
- Price lining
- Price stability
- Psychological pricing
- Penetration pricing
- Leader pricing
- Promotional pricing

RETAIL PRICING STRATI

- Price lining is a term used by retailers when they sell their
- Price range/price zone: Range of prices for a particular me
- Number of price points that a retailer chooses to offer ra
- Price point: Specific price in that price range
- Price bundling:

Various products are bundled together and sold as one unit

Loss Leader Pricing:

Retailers price particularly fast moving products at a lower p store.

They are sold at cost price or even at loss

- Multiple unit pricing

Retailers offer a lower price per unit for two or more products o
together than when units are bought singly

Everyday low pricing

Continually price their products lower than other retailers in that

Odd-even pricing:

It is setting pricing at odd numbers to denote a lower price or a g

Setting prices at even numbers to imply higher quality

Single pricing:

Retailer charges the same price for the same product under simila

Pre-emptive pricing

Setting low prices in order to discourage or deter potential entra

Extinction pricing:

Setting very low prices in the short term in order to undercut co
potential new entrants.

Prices are set at a level lower than suppliers own cost of product

Perceived value pricing:

- Seller attempts to set the price at the level that intended buyer

- Price strategies that can be adopted by a retailer ar
- Market skimming:

High price and lower it over time

Potential problems with this strategy:

- Dominant market share will be obtained by low co
- Inventory turnover is low
- Entry of competitors
- Gain negative publicity
- Early purchasers feel cheated
- Makes organization inefficient

PENETRATION PRICING

- Set a low initial entry price
- Main objective-increase share or volume
- Disadvantage-
- Establishes long term price expectations for the product a retailer
- Only switchers get attracted

TACTICS FOR FINE TUNI PRICE

- Coupons:

Documents that provide right to the holder to purchase at a on the product.

Rebates:

Money returned to the buyer on the basis of some portion o

RETAIL PROMOTION

- All communication that informs, persuade, and or reminds prospective segment about the marketing mix of the retail
- Methods of promotion
- Paid impersonal promotion
- Paid personal promotion
- Unpaid impersonal promotion
- Unpaid personal promotion

FACTORS AFFECTING RE
PROMOTION

- Type of product:

Frequently purchases require repeat messages

Industrial product-personal selling,product demo, sales prese

Nature of market

Intensity of competition, locational characteristics of consum
members

www.FirstRanker.com

STAGES IN PLC

- Introduction & early growth-awareness creation and moti
- Maturity-brand loyalty and brand preferences

-Budget availability-Limited resources-dealer display , wall pa

-Large scale-more sophisticated promotional tools

COMPANY PO

Top management-role of promotion , product market strate
wants to project.

Type of product marketed:

Business markets and consumer markets having different pro

BUYER READINESS

Advertising and publicity –awareness building

Customer comprehension-advertising and personal selling

closing the sale- personal selling and sales promotion

re-ordering-influenced by advertising and sales promotion

DEVELOPING PROMOTIO

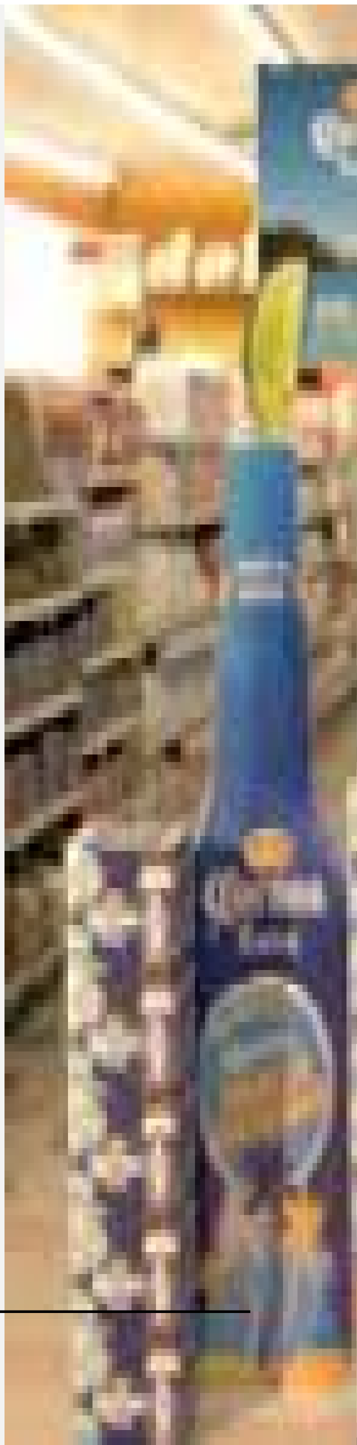
- SMART
- ✓ Specific
- ✓ Measureable
- ✓ Achievable
- ✓ Realistic
- ✓ Relevant
- ✓ Targeted
- ✓ Timed

METHODS

- Paid impersonal promotion - TVC, Radios
- Paid Personal promotion – personal selling
- Unpaid impersonal promotion – publicity or coverage in n
- Unpaid personal promotion – Word of mouth

FACTORS

- Types of product
- Nature of market
- Stage in product life cycle
- Budget availability
- Company policy
- Type of product market



RETAIL PROMOTION STI

- Retail advertisement
- Retail sales promotion
- Retail personal selling
- Retail public relation
- Retail publicity
- Retail word of mouth

Objectives:

- Product quality objectives
- Skimming objectives
- Market penetration objectives
- Market share objective
- Survival objective
- ROI objective
- Profit objective
- Status quo objective
- Cash flow objective

HUMAN RESOURCE MAN

- Align the capabilities and behaviours or employees with th
  the retail firm
- Measure employee productivity
- Good quality of manpower is must for retail industry .
- Require to perform basic functions – buying, displaying anc

HR FUNCTION IN RETAIL ORGANISATION – HMR I

- **Job analysis**
- **Recruitment of retail employees –**

Internal sources

External sources

- **Selection of retail employees**

Pre interview screening and preliminary interview

Formal application form

Interview

Psychological testing

Reference check

Physical examination

Job offer

- **Training of retail employees**

Group training method –

- Lecture method
- Audio visual method
- Discussion method
- Role playing method
- Panel method
- Round table method
- Brain storming method

Individual training method –

- On the job
- study course
- Individual coaching
- Observation post

DIRECTION OF RETAIL E

- Communication and implementing company policies and stra
- Counselling
- Establishing standards of performance
- Creating a favourable work environment
- Continuous training and development
- Responsibilities and expectation

COMPENSATION OF RET EMPLOYEES

- Types of compensation :

Financial Compensation

Straight salary method

Straight commission method

Combination of salary and commission

Drawing account and commission plan

Non financial compensation:

Promotion

Recognition program

Fringe benefits

perks

CHALLENGES AND ISSUES

- High Turnover
- Talent crunch at middle and senior level managements
- Lack of professionally educated workforce
- Employee poaching in the retail industry
- Problems of work life balance