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MBA (Retail Mgmt) - III Semester**Paper Code: MBRM 3002****PAPER-XII**

Store Location, Design and Visual Merchandising

Objectives

- To develop in-depth understanding for effective utilization of store design and visual merchandising techniques
- To learn the effectiveness of visual merchandising, and
- To understand various aspects of stores management.

Unit - I

Store Location – Importance of Store Location – Types of Store Location – Isolated or Freestanding location – Unplanned Shopping Centers – Planned Shopping Centers – Store Location and Retail Strategy – Selecting the Store Location – Market Area Analysis – Effect of demographic, economic, cultural, demand, competition and infrastructural factors.

Unit - II

Trade Area Analysis – Size and shape of trading areas – Defining the trade area – Reilly's law Huff's Probability Model – Index of Retail Saturation Theory – Site Evaluation and Selection – Estimating the potential – Selecting the Specific Site. Objectives of a good store design – Creating a Store image – Creating a buying environment – Store Exteriors – Store Interiors – Store Layout Design – Types Grid – Racetrack – Free Form – Feature areas – Space planning – Location of department – Location of merchandise within departments: Use of Plano grams.

Unit - III

Merchandise facilitators (fixtures, props, graphics and Signs etc) and material, current developments in visual materials, fixtures, retail space management, floor plan blueprints.

Unit - IV

Visual Merchandising – concept – role and influence as a communication tool – Merchandise presentation techniques – idea oriented presentation – Style / item presentation – colour presentation – Price Lining – vertical Merchandising – Tonnage merchandising – Frontage presentation – Store Fixtures/ Furniture. Store Atmospherics – Visual communication – Lighting – Colour, Music and Scent – Displays and POPs.

Unit - V

Store Management, Responsibilities of Store Manager, Store Security and Parking Space Problem at Retail Centers, Store Record and Accounting System, Coding System, Material Handling in Stores, Mall Management, Factor Influencing Mall establishments.

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UNIT – I

Unit Structure

Lesson 1.1 - Store location

Lesson 1.2 - Store Location and Retail Strategy

Lesson 1.3 - Selecting the Store Location

Lesson 1.4 - Market Area Analysis

Lesson 1.1 - Store Location

Learning Objectives

- Understand the Importance of Store Location;
- Identify the Types of Store Location;
- Examine the factors to be considered for the store location.

Introduction

Store is place, where the shoppers come to buy goods and services. The sales transaction occurs at this junction. Location of retail business has a significant impact on its survival. In fact, selection of the wrong location may lead to business failure. Thus, before choosing retail store locations, following things are to be kept in mind:

- Who are the customers?
- What will be the infrastructure?
- What products are to be sold?
- How much retail space, storage area, or the size of the office will be required?

Without the answers to these basic questions, it will be difficult to find the perfect location for generating the profit for a retail store.

Store Location

Store is place real or virtual, where the shopper comes to buy goods and services. The sales transaction occurs at this junction. The location of retail store is considered very important in retailing.

Retailers desire to set up their outlets in the best possible locations. The optimum store location for a retailer is based on many factors like the type of industry, the product category being sold, and the degree of competition. Retail stores are located where the opportunities offered by the market are at a maximum.

Retailers usually go through four step process to select a store location:

- a) Analyzing alternate trade areas;
- b) Determining the most beneficial type of location;
- c) Selecting a general site and;
- d) Selecting a specific site.

Importance of Store Location

Most of the retailers are selling from retail store space. Some of these retailers are very small single-store operators, and some are huge superstore discounters. Each location selected resulted from an effort to satisfy the needs of the particular market each was designed to serve. Many factors together like, customer's need for convenience, their desire to do comparison-shopping, and the extent of the purchasing power in a market area, of the transportation facilities available etc. led to the development of different kinds of retail locations. There is an old saying that three things determine the value of real estate: location, location, and location. Nowhere is that more the case than with stores.

Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighborhood have been identified as satisfactory; a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A through study of customers and their shopping behavior should be made before a location is chosen. The finest

store in the world will not live up to its potential if it is located where customers cannot or will not travel to shop. The primary role of the retail store or center is to attract the shopper to the location. Alternatively, retailers must take the store to where the people are, either at home or in crowds. Examples of taking the store to where the crowds are include airport location, theme parks and vending machines.

Every retail store strives for its competitive advantage. For some stores, it is price. For others, it is promotional expertise of the special services that are offered. Despite any differences among the various stores that may be competing for the shopper's rupees, location offers a unique asset for all stores because once a site is selected; it cannot be occupied by another store. This advantage, however, points to the importance of location analysis and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years. In short, location and site selection is one of the most important decisions made by a retail owner. We need to look for ways to optimise this process.

Factors of Retail Location

Population and Potential Customer

Before, choosing a location for the retail store, survey the area thoroughly before making a final decision. Read local newspapers and interact with other small businesses in the area. Details about location demographics such as information on the area's population, income and age are to be obtained. Once obtained customers are known, then find a location where customers reside, work and shop.

Accessibility, Visibility and Traffic

Retailers want to be located where there are many shoppers but only if that shopper meets the definition of their target market. Small retail stores may benefit from the traffic of nearby larger stores. However, following factors are to be considered in connection with accessibility, visibility and traffic:

- How many people walk or drive past the location?
- Is the area served by public transportation?

- Can customers and delivery trucks easily get in and out of the parking lot?
- Is there adequate parking facility?

Depending on the type of business, it would be wise to have somewhere between 5 to 8 parking spaces per 1,000 square feet of retail space.

When considering visibility, the location should be examined from the customer's view point. Can the store be seen from the main flow of traffic? Will the signage be easily noticed? In many cases, a retail outlet having better visibility requires less advertising. A specialty retail store located out of town in a free standing building will need more marketing than a shopping store located in a mall.

Signage, Zoning and Planning

Prior to signing a lease, all the rules, policies and procedures related to retail store location should be well understood. Local authority for information on regulations regarding signage and whether there is any restriction that may affect retail operation or any future planning that could change traffic, such as highway construction etc. should be ensured.

Competition and Neighbors

Other businesses in the prospective location can actually help or hurt one's retail shop. Therefore ensure whether the types of businesses nearby are compatible with your store or not. For example, a high-end fashion boutique may not be successful next door to a discount variety store. It should be placed next to a hair salon and it may do much more business.

Location Costs

Besides the base rent, consider all costs involved when choosing a retail store location.

- Who pays for lawn and building maintenance, utilities and security?
- Who pays for the upkeep and repair of the air-conditioning?

- If the location is remote, how much additional marketing will it take for customers to find you?
- How much is the average utility bill?
- Will you need to make any repairs or remodeling to have the location fit your needs?
- Will the retailer be responsible for property taxes?

The location you can afford now and what you can afford in the future always varies. It is difficult to create sales projects on a new business, but one way to get help in determining how much rent you can pay is to find out what sales similar retail businesses are making and how much rent they are paying.

Personal Factors

Before planning to work in one's store, one must think about one's personality, the distance from the shop to home and other personal considerations. (If he spends much of his time travelling to and from work, the commute may overshadow the exhilaration of being his own boss). Also, many restrictions placed on a tenant by a landlord, Management Company or community can hamper a retailer's independence.

Special Considerations

Retail shop requires special considerations. Therefore, make a list of any unique characteristic of your business that may need to be addressed.

- Will the store require special lighting, fixtures or other hardware installed?
- Are restrooms for staff and customers available?
- Is there adequate fire and security protection for the area?
- Is there sanitation service available?
- Does the parking lot and building exterior have adequate lighting?
- Does the building provides shelter if raining?
- Are there restrictions on Sunday sales?

Types of Retail Outlets

Major Types of Retail Stores are:

In-Store Retailing

1. Department Stores
2. Super Markets
3. Discount Houses
4. Chain Stores
5. Multiple Shops

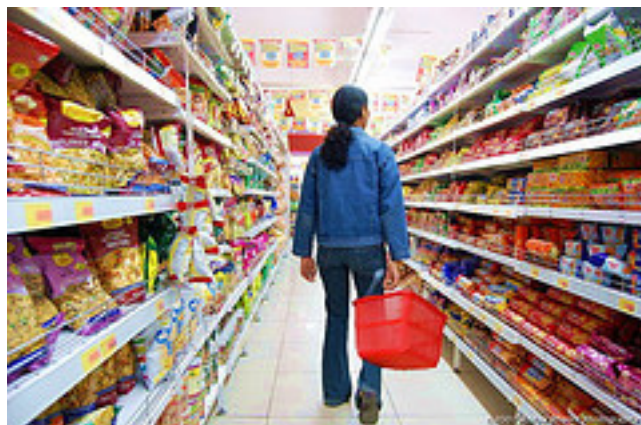
Non-Store Retailing Franchising

1. Direct Selling
2. Telemarketing
3. Online Retailing
4. Automatic vending
5. Direct Marketing.

Department Stores

These are large scale retail stores selling their products under one roof and offer a variety of goods divided into different departments, each of which specializes in an individual merchandise. Converse is of the opinion that a department store is a retail shop handling several classes of goods including fast moving consumer goods, each class being separated from others in management, accounting and location. It is viewed by Clarke as that type of retail institution which handle a wide variety of merchandise under one roof which are grouped into well-defined departments which is centrally controlled and which caters primarily to women shoppers.

Thus a department store is a retailing business unit that handles a wide variety of shopping and specialty goods and is organized into separate departments for purposes of sales promotion, accounting control and store operation.



Recent trends are to add departments for automotive, recreational and sports equipment, as well as services such as insurance, travel advice and income-tax preparation. Department stores are distinctive in that they usually are oriented towards service. They are usually shopping centers.

Department stores are very large stores offering a huge assortment of “soft” and “hard” goods; often bear a resemblance to a collection of specialty stores. A retailer of such store carries variety of categories and has broad assortment at average price. They offer considerable customer service. A department store is a set-up which offers wide range of products to the end-users under one roof.

In a department store, the consumers can get almost all the products they desire to purchase at one place only. Department stores provide a wide range of options to the consumers and thus fulfill all their shopping needs.

Department stores deal with following merchandise which includes:

Electronic Appliances, Apparels, Jewellery, Toiletries, Cosmetics, Footwear, Sportswear, Toys, Books, CDs, DVDs etc.

Examples of department store are: Shoppers Stop, Pantaloon

Classification of Department Stores

These stores may be classified either according to ownership or income groups to which they appeal.

a) On the basis of ownership these are:

- (i) The independent stores;
- (ii) The ownership group; and
- (iii) Chain department Stores.

Independent stores are owned by a financial interest which does not own other similar stores. Ownership group stores are those stores which were formerly dependent but now have been combined. Chain department stores are those stores which are centrally owned and operated.

- b) On the basis of income groups: These stores cater to the middle and high income groups. They usually handle good quality merchandise and offer maximum service to the customers. Other stores cater to the needs of the lower income group people.
- c) Sometimes there is also to be found what are called leased department stores. Although it appears to most customers that all departments in a department store are owned and operated by the store, which is not always the case. The operations of certain departments are sometimes turned over to leases and such departments are called leased departments.

Characteristic Features of Department Stores

The chief features of these stores are:

- (i) These are integrated stores performing operations in addition to other retail stores such as wholesaling.
- (ii) Goods are divided into different classes with different locations and management within the store itself.
- (iii) These stores are distinguished by the nature of goods they sell and not by the varieties they keep for example, drug and variety stores carry a wide variety of goods.
- (iv) The store is a horizontally integrated institution. It brings together under one roof a range of merchandise offerings comparable to the combined offerings of many stores specializing in single or fewer merchandise lines.

Location of Department Stores

The success of a department store depends much on its location, availability of space, the area and community to be served and ability to attract customers are the important factors to be considered before establishing a store at a particular place. Special Consideration should be given to accommodation so as to allow every possible amusement facilities. Considerable space should also be allotted for show room displaying stores merchandise.

Merits of Department Stores

1. Large department stores buy in large quantities and receive special concession or discount in their purchases. Many of them purchase direct from manufactures and hence, middleman's charges are eliminated.
2. Department stores are in a position to pay cash on all or most of their purchases and this gives them an additional advantage of picking up quality goods at cheaper rates and at the same time stocking the latest style and fads.
3. Customers can do all their purchases under one roof and it appeals to people of all walks of life.
4. The organization is too large to provide expert supervision of various departments for the adoption of a liberal credit and delivery service for large-scale advertising.
5. When customers enter the store to deal with one department they are frequently induced by the advertisement which the display of goods offers to make purchases in other departments as well.

Limitations of Department Stores

Department business organizations are not free from abuses. There are certain specific limitations from which such institutions suffer such as:

1. The cost of doing business is very high due to heavy overhead expenses.
2. Because of their location in a central shopping area they are of not much advantage to the public because goods required at short notice are always purchased from the nearest traders.
3. There is lack of personal touch and personal supervision which is to be found in single line.
4. When hired diligence is substituted for the diligence of ownership, loss and leaks are likely to occur.
5. Many customers abuse the liberal services extended and take advantage of the policy of the 'customers is always right'.

6. The type of salesmanship found in many stores is very poor because of low payments and lack of supervision.

Future of Department Stores

Nothing definite can be predicted whether these department organizations will continue to carry on and will progress in face of overgrowing competition of chain stores, mail order business and other smaller independent dealers. Stores with overhead burdens which cannot be reduced may have to go, but the department stores as an institution are bound to go on with a future.

The department store which is properly equipped in plant, stock and personnel to carry on a reasonable sales volume and then does a better job in giving values and services, then its competitors are entitled to, and will receive its business profit. Department Stores are now opening branches in many new areas and making concerted efforts to meet new competition. They have been modernized, redecorated and better services are being developed; and they are being converted to self-service.

Super Markets

These are large, self service stores that carry a broad and complete line of food and non-food products. They have central check out facilities. Kotler defines supermarket as 'a departmentalized retail establishment having four basic departments viz. self-service grocery, meat, produce and dairy plus other household departments, and doing a maximum business. It may be entirely owner operated or have some of the departments leased on a concession basis Super market is a self-service store consisting mainly of grocery and limited products on non food items. It is a retail store which generally sells food products and household items, properly placed and arranged in specific departments is called a supermarket.

A supermarket is an advanced form of the small grocery stores and caters to the household needs of the consumer. The various food products (meat, vegetables, dairy products, juices etc) are all properly displayed at their respective departments to catch the attention of the customers and for them to pick any merchandise depending on their choice and need.



Usually Supermarket deals with merchandise like:

Bakery products, Cereals, Meat Products, Fish products, Breads, Medicines, Vegetables, Fruits, Soft drinks, Frozen Food and Canned Juices.

Features of Super Markets

Major features of supermarkets include the following:

- i. They are usually located in or near primary or secondary shopping areas but always in a place where parking facilities are available.
- ii. They use mass displays of merchandise.
- iii. They normally operate as cash and carry store.
- iv. They make their appeal on the basis of low price, wide selection of merchandise, nationally advertised brands and convenient parking.
- v. They operate largely on a self-service basis with a minimum number of customer services.

Supermarkets came into existence during the depression in U.S.A. At that time they sold only food products, and their principal attraction was the low price of their merchandise. As super markets increased in number day by day they also expanded into other lines of merchandise.

Advantages of Supermarkets

- i. Super markets have the advantage of convenient shopping, permitting the buyer to purchase all his requirements at one place.

- ii. Super markets also stock a wide variety of items.
- iii. These markets can sell at low prices because of their limited service feature, combined with large buying power and the willingness to take low percent of profit margins.
- iv. Shopping time is considerably reduced.

Limitations of Supermarkets

- i. The large and extensive area required for a super market is not available cheaply in important places.
- ii. The products which require explanation for their proper use cannot be dealt in through the super markets.
- iii. Customer services are practically absent.
- iv. Another limitation of the super market is the exorbitantly high administrative expenses.

Discount Houses/ Stores

These are large stores, freely open to the public and advertising widely. They are self-service and general merchandising stores. They carry a wide assortment of products of well known brands, appliances, house wares, home furnishings, sporting goods, clothing, toy and automotive services. They complete on low price basis and operate on a relatively low mark-up and a minimum number of customer service. They range from small open showroom to catalogue type order offices to full line limited service, and promotional stores. They buy their merchandise stocks both from wholesale distributors and directly from manufacturers.

Discount stores also offer a huge range of products to the end-users but at a discounted rate. The discount stores generally offer a limited range and the quality in certain cases might be a little inferior as compared to the department stores.

For example, Wal-Mart (United States) and Vishal Mega Mart (India) come under discount store. Discount stores deal with merchandise almost same as department store but at a cheaper price.



Discount stores tend to offer a wide array of products and services, but they compete mainly on price offers extensive assortment of merchandise at affordable and cut-rate prices. Normally retailers sell less fashion-oriented brands

Chain Stores or Multiple Shops

A chain store system consists of four or more stores which carry the same kind of merchandise are centrally owned and managed and usually are supplied from one or more central warehouses. A chain store is one of the retail units in chain store system. Chains have been interpreted as a group of two or more reasonably similar stores in the same kind or field of business under one ownership and management, merchandised wholly or largely from central merchandising head quarters and supplied from the manufacturer or orders placed by the central buyers.

In Europe, this system is called as Multiple Shops and the American call it as "Chain Stores". Under the multiple or chain shop arrangement, the main idea is to approach the customers and not to draw the customers as it is practiced in the case of department store. In order to draw more customers, attempts are made to open a large number of shops in the same city at different places.

In India apt example for this retail system are offered by 'Bata Shoes', 'Usha Sewing Machines' etc., such multiple shops have 'centralised buying with decentralized selling'. Fundamentally, they specialize in one product but with all its varieties or models.



Chief Features of Chain Stores

The chief features of chain stores are:

- i. One or more units may constitute a chain,
- ii. They are centrally owned with some degree of centralized control of operation.
- iii. They are horizontally 'integrated' that is, they operate multiple stores. With addition of each new store, the system extends the reach to another group of customers.
- iv. Many stores are also 'vertically integrated'. They maintain large distribution centres where they buy from producers, do their own warehousing and then distribute their own stores.

Advantages of Chain Stores or Multiple Shops

- i. Lower selling prices. This is mainly possible due to economy in buying operation.
- ii. Economy and advertising. Common advertisements covering all the units are feasible and this reduces advertisement expenditure.
- iii. Ability to spread risks. Unlike the department store the principle here is not to "lay all the eggs in one basket". By trial and error, a unit sustaining losses may be shifted to some other place or even dropped.

- iv. There is flexibility in working.
- v. Since it works only on cash basis, bad debts as well as detailed accounting processes are avoided.
- vi. Central and costly locations are not essential.

Limitations of Chain Stores or Multiple Shops

- i. Lower price is a false claim. According to Stanton "Price Comparison is not possible, as such stores are handling only limited items".
- ii. Inflexible in practice. Multiple shops deal in standardized products only-which creates inflexibility in offering wide varieties.
- iii. Personnel Problems. Being a large organization, it is always susceptible to problems associated with large scale business.
- iv. Poor public image. Various consumer services such as credit facility, door delivery etc. are completely absent in chain store. The present day consumers prefer to have more services than quality in addition to desiring low prices.

Warehouse Stores

A retail format which sells limited stock in bulk at a discounted rate is called as warehouse store. Warehouse stores do not bother much about the interiors of the store and the products are not properly displayed. Warehouse stores offer low-cost, often high-quantity goods piled on pallets or steel shelves.



Mom and Pop Store / Kirana Store

Mom-And-Pop is a retail outlet that is owned and operated by individuals. The range of products are very selective and few in numbers. These stores are seen in local community often are family-run businesses. The square feet area of the store depends on the store holder. Mom and Pop stores are the small stores run by individuals in the nearby locality to cater to daily needs of the consumers staying in the vicinity. They offer selected items and are not at all organized. The size of the store would not be very big and depends on the land available to the owner. They do not offer high-end products.



Merchandise dealt with by Mom and Pop stores

Eggs, Bread, Stationery, Toys, Cigarettes, Cereals, Pulses and Medicines

Specialty Stores

As the name suggests, Specialty store would specialize in a particular product and would not sell anything else apart from the specific range. Specialty store sell only selective items of one particular brand to the consumers and primarily focuses on high customer satisfaction.

A typical specialty store gives attention to a particular category and provides high level of service to the customers. A pet store that specializes in selling dog food would be regarded as a specialty store. However, branded stores also come under this format. For example if a customer visits a Reebok or Gap store then they find just Reebok and Gap products in the respective stores.



Example - Reebok store dealing exclusively Reebok merchandise and nothing else, thus making it a specialty store.

Malls

Malls have a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof. Many retail stores operating at one place form a mall. A mall would consist of several retail outlets each selling their own merchandise but at a common platform. Malls can be mentioned as a concoction of retail stores or shall we say retail formats. Various types of stores are housed under one roof and they define the concept of 'shoppertainment' in the best possible way. Malls can be defined as mercantile establishment consisting of a carefully landscaped complex of shops representing leading merchandisers; usually includes restaurants and a convenient parking area; a modern version of the traditional marketplace; "a good plaza should have a movie house" a nice place for customers to spend their weekends.

Some of the general characteristics of malls are:

- The presence of multiplex
- The presence of well-defined parking system
- The presence of appropriate landscaping
- The presence of 'anchor shop'
- Tenant mix in tune with the overall theme of mall



Malls have evolved primarily due to need created in the market especially urban where there is shortage of time, issues of traveling and parking, lack of choice & facilities, scattered shopping areas, working couples, requirement of critical mass for survival. They have become joints for social meetings, pastime area like parks but with modern facilities.

E-Retailers

At present, the customers have the option of shopping while sitting at their homes. They can place their order through internet, pay with the help of debit or credit cards and the products are delivered at their homes only.

However, there are chances that the products ordered might not reach in the same condition as they were ordered. This kind of shopping is convenient for those who have a hectic schedule and are reluctant to go to retail outlets. In this kind of shopping; the transportation charges are borne by the consumer itself.

The customer can shop and order through internet and the merchandise are dropped at the customer's doorstep. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. However it is important for the customer to be wary about defective products and non secure credit card transaction.



Example: Amazon, Pennyful and eBay, Rediff Shopping.

Dollar Stores

Such stores offer selected products at extremely low rates but here the prices are fixed.



Example: 99 Store would offer all its merchandise at ₹ 99 only. No further bargaining is entertained. However the quality of the product is always in doubt at such stores.

Non-Store Retailing

A large majority - about - 80% - of retail transactions are made in stores. However, a growing volume of sales is taking place away from stores. Retailing activities resulting in transactions that occur away from a physical store are called non-store retailing. It is estimated that non-store sales account for almost 20% of total retail trade.

Following are the five types of non store retailing: direct selling, tele marketing, online retailing, automatic vending and direct marketing. Each type may be used not just by retailers but by other types of organizations as well.

Direct Selling



In the context of retailing, direct selling is defined as personal contact between a sales person and a consumer away from a retail store. This type of retailing has also been called in home selling. Annual volume of direct selling in India

is growing fast from the beginning of the 21st century. Like other forms of non-store retailing, direct selling is utilized in most countries. It is particularly widespread in Japan, which accounts for about 35% of the worldwide volume of direct selling. The U.S. represents almost 30% of the total and all other countries the rest. The two kinds of direct selling are door to door and party plan. There are many well known direct-selling companies including Amway, Creative memories and Excel communications. Diverse products are marketed through direct selling. This channel is particularly well suited for products that require extensive demonstration.

Advantages of Direct Selling

- i. Consumers have the opportunity to buy at home or at another convenient non-store location that provides the opportunity for personal contact with a sales person.
- ii. For the seller, direct selling offers the boldest method of trying to persuade ultimate consumers to make a purchase.
- iii. The seller takes the product to the shoppers home or work place and demonstrates them for the consumer.

Limitations of Direct Selling

- i. Sales commissions run as high as 40 to 50% of the retail price; of course, they are paid only when a sale is made.

- ii. Recruiting sales people - most of whom are part timers are difficult tasks,
- iii. Some sales representatives use high pressure tactics or are fraudulent.

Telemarketing



Sometimes called telephone selling, telemarketing refers to a sales person initiating contact with a shopper and closing a sale over the telephone. Telemarketing many entail cold canvassing from the phone directory. Many products that can be bought

without being seen are sold over the telephone. Examples are pest control devices, magazine subscriptions, credit cards and club memberships. Telemarketing is not hassle free. Often encountering hostile people on the other end of the line and experiencing many more rejections than closed sales, few telephone sales representatives last very long in the job. Further some telemarketers rely on questionable or unethical practices. For instance firms may place calls at almost any hour of the day or night. This tactic is criticized as violating consumers' right to privacy. To prevent this, some states have enacted rules to constrain telemarketers' activities. Despite these problems, telemarketing sales have increased in recent years. Fundamentally, some people appreciate the convenience of making a purchase by phone. Costs have been reduced by computers that automatically dial telephone number, even deliver a taped message and record information the buyer gives to complete the sale. The future of telemarketing is sure to be affected by the degree to which the problems above can be addressed and by the surge of online retailing.

Online Retailing

When a firm uses its website to offer products for sale and then individuals or organizations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing). Many electronic transactions involve two businesses which focus on sales by firms to ultimate consumers.

Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer. Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, Pets Mart and CD Now.com. Some websites feature broad assortments, especially those launched by general merchandise retailers such as Wal-mart and Target. Some Internet only firms, notably Amazon.com are using various methods to broaden their offerings. Whatever their differences, e-retailers are likely to share an attribute. They are unprofitable or best, barely profitable. Of course, there are substantial costs in establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts. The rationale was that all available funds should be used to gain a foothold in this growing market.



Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future. Online sales represented about 1% of retail spending in 2005, but one research firm estimates that consumer purchases on the Internet will triple by the year 2010. Which product categories are consumers most likely to buy on the Internet in the future? Consumers' shopping intentions in 2005 placed the following goods and services at the top of the list: books, music and videos, computer hardware and software, travel and apparel. Of course,

given that change on the Internet occurs, these categories soon may be surpassed by others - perhaps groceries, toys, health and beauty aids, auto parts or pet supplies.

Automatic Vending

The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. The appeal of automatic vending is convenient purchase. Products sold by automatic vending are usually well-known pre-sold brands with a high rate of turnover. The large majority of automatic vending sales comes from the “4 c’s”: cold drinks, coffee, candy and cigarettes. Vending machines can expand a firm’s market by reaching customers where and when they cannot come to a store. Thus vending equipment is found almost everywhere, particularly in schools, work places and public facilities. Automatic vending has high operating costs because of the need to replenish inventories frequently. The machines also require maintenance and repairs. The outlook for automatic vending is uncertain. The difficulties mentioned above may hinder future growth. Further, occasional vending-related scams may scare some entrepreneurs away from this business.



Vending innovations give reason for some optimism. Debit cards that can be used at vending machines are becoming more common. When this card is inserted into the machine, the purchase amount is deducted from the credit balance. Technological advances also allow operators to monitor vending machines from a distance, thereby reducing the number of out-of-stock or out-of-order machines.

Direct Marketing



There is no consensus on the exact nature of direct marketing. In effect, it comprises all types of non-store retailing other than direct selling, telemarketing, automatic vending and online retailing. In the context of retailing, it has been defined as direct marketing as using print or broadcast advertising to contact consumers who in turn, buy products without visiting a retail store. Direct marketers contact consumers through one or more of the following media: radio, TV, newspapers, magazines, catalogs and mailing (direct mail) or telephone. Direct marketers can be classified as either general – merchandise firms, which offer a variety of product lines, or specialty firms which carry – only one or two lines such as books or fresh fruit. Under the broad definition, the many forms of direct marketing include:

- Direct mail - in which firms mail letters, brochures and even product samples to consumers, and ask them to purchase by mail or telephone.
- Catalog retailing - in which companies mail catalogs to consumers or make them available at retail stores.
- Televised shopping - in which various categories of products are promoted on dedicated TV channels and through infomercials. These are TV commercials that run for 30 minutes or even longer on an entertainment channel.

On the plus side, direct marketing provides shopping convenience. In addition, direct marketers enjoy comparatively low operating expenses because they do not have the overhead of physical stores. Direct marketing has drawbacks. Consumers must place orders without seeing or touching the actual merchandise. To off-set this, direct marketers must offer liberal return policies. Furthermore, catalogs and to some extent, direct mail pieces are costly and must be prepared long before they are issued. Price changes and new products can be announced only through supplementary catalogs or brochures. Direct marketing's future is difficult to forecast, given the rise of the Internet. The issue is whether or not firms relying

on direct marketing can achieve and sustain a differential advantage in a growing competition with online enterprises.

Franchising

A franchising operation is legal contractual relationship between a franchiser (the company offering the franchise) and the franchisee (the individual who will own the business). The terms and conditions of the contract vary widely but usually the franchiser offers to maintain a continuing interest in the business of the franchisee in such areas as the site selection, location, management, training, financing, marketing, record-keeping and promotion. He also offers the use of a trade name, store motif standardized operating procedure and a prescribed territory. In return the franchisee agrees to operate under conditions set forth by the franchiser. For the manufacturers, the franchising is beneficial in these directions:

- i. It allows them to conserve capital.
 - ii. The distribution system is established in the shortest possible time,
 - iii. Marketing costs are lowest and
 - iv. Expenses of fixed overhead such as administrative expenses of the personnel of the company owned units are cut down substantially.
- Franchising exists in such products as soft drinks, automobiles and parts, business services, dry cleaning etc.



The franchisee should also:

- i. Make reference check from the financial institutions.
- ii. Make inquiries about the product, its quality, appeal, exclusiveness, competitiveness and effectiveness in bringing in repeat customers.
- iii. Have enough capital to buy the franchise,
- iv. Be capable of taking supervision work.
- v. Consult the professionals and seek their guidance in legal matters,
- vi. Take risks and invest sufficient time.

Retailing refers to a process where the retailer sells the goods directly to the end-user for his own consumption in small quantities. Broadly, classifications of retail outlets are as follows:

Types of Store Location

The location of retail store has been considered the most important feature in retailing. Locating the retail store in the right place is considered to be one of the pre-requisites for success. Location becomes a critical decision for following reasons.

- Location is generally one of the most important factors customers consider while choosing a store.
- A bad location may cause a retailer to fail even if its strategic mix is excellent. On the other hand, a good location may help a retailer succeed even if its strategic mix is mediocre.
- Store location is least flexible element of retailer's strategic mix due to its fixed nature, the amount of investment, and the length of lease agreements

Various options are available to the retailer for choosing the location of store. The choice of the location of the store depends on the target audience and the kind of merchandise to be sold.

A retailer has to choose among alternate types of retail locations available. It may locate in an isolated place and pull the customer to the store on its own strength, such as a small grocery store or beetle shop in a colony which attracts the customers staying close by.

Typically a store location may be:

1. Isolated/ Freestanding Location.
2. Business Associated Location.
 - Unplanned Shopping Centers
 - Planned Shopping Centers

1. Isolated /Freestanding Location

Where there are no other outlets in the vicinity of the location and therefore store depends on its own pulling power and promotion to attract customers. This type of retail store is physically different from other retail stores. It does not enjoy the same benefits that shopping centres offer from the stand point that customer of a free standing store must have made a special trip to get there. Shoppers are not “just next door” and decide to walk in as they could in a mall or strip center. Freestanding locations constituted about 22 percent of all retail space, and a recent survey of retailers shows that this category leads all others for future importance. Drive in locations is special cases of freestanding sites that are selected for satisfying the needs of customers who shop in their automobile.

In some situations, the drive – in aspect of the retail business is only to supplement existing in – store sales, but the same requirements of all drive – in location apply. These sites are usually positioned along or decide heavy traffic arteries in neighbor hoods, city streets, or inner city through fares because, as the experience of McDonald’s shows, up to 55 percent of total store sales are often attributable to drive – through business³⁶. Stores that rely totally on drive – in and walk up business, such as Fox Photo, are designed to offer extremely quick service and require a significantly smaller amount of space than more traditional park – and –shop stores. In fact, drive – in – only retailers often find that they can price competitively because of reduced overhead from smaller building and land size.

The total volume of passing traffic and the ease with which the traffic can enter and leave the store is critically important to the sales potential of the entire establishment. The greater the density of traffic, the greater the potential amount of business is likely to be derived. An auto-

mobile traffic count is necessary to identify suitable locations for drive-ins. Further, more, it is important that this traffic count be separated into direction, or flow. A traffic flow analysis may be described in terms of why a customer is making the trip: whether it is to or from work, for shopping, or for pleasure or recreation. For example, drive-in-services for a bank would more likely be utilized during work-to-home trips than the reverse.

If the objective of a drive-window of a fast food chain were to increase breakfast food sales, then a home-to-work direction would be favourable. A work-trip customer may drop off cleaning on the way to work and stop for gas on the way home. Customers on a shopping trip are more easily stopped if a location is positioned along the right side of a through fare. Not all shopping is done between home and work. This is particularly true if a drive-in is located between the customer's place of residence and a major shopping area. If there are a number of stores located in the general vicinity, the drive-in should be on the same side of the street as those stores. To attract recreation or pleasure trip shoppers, locations along a heavily travelled artery are best. The location should be convenient to enter and leave, adjacent to the incoming traffic.



A biggest advantage for freestanding location is that there is no competition around. This type of location has several advantages including no competition, low rent, and better visibility from the road, easy parking and lower property.

- Neighbourhood Stores: Colony shops serves small locality.
- Highway Stores: Ebony store in Ludhiana.

Advantages and Disadvantages of Freestanding Locations

Advantages

- Convenience for customers
- High vehicular traffic and visibility
- Modest occupancy costs
- Separation from competition

Disadvantages

- Limited trade area when not around nearby retailers
- Higher Occupancy costs than strip centers
- Usually located where there is little pedestrian traffic

2. Business Associated Location

In such a location a group of retail outlets offering a variety of merchandise work together to attract customers to their retail area, but also compete against each other for the same customers.

Business Associated Locations are of two types

- a. Unplanned Shopping Centers (Part of Business District/Centers)
- b. Planned Shopping Centers (Part of a Shopping Center)

a. Unplanned Shopping Centers (Part of Business District/Centers)

A retail store can also be located as a part of a business district. Often this is referred as unplanned shopping centers

A business district is place of commerce in a city which has been developed historically as the center of trade and commerce in the city or town. A business districts can be a central, secondary or a Neighborhood business district.

A Central business District (CBD) is the main center of commerce and trade in the city. (High land rates, intense development) A CBD is

the hub of retailing activity in a city. CBD served different sections of population. For example: Connaught place in Delhi, Colaba in Mumbai, Commercial Street and in Bangalore are up market CBDs. CBDs serve the upper and upper middle class customers across these cities like, Chandani Chowk in Delhi, Kalbadevi-Bhuleswar in Mumbai and Chickpet in Bangalore.

The central business district (CBD) is a shopping area located in either the central downtown area or another area in the city with a concentration of businesses. Until the mid – 1970s, the CBD was the core for shopping in most cities. When cities were relatively compact and much smaller, the largest share of retail shopping was done in this downtown area.

The CBD contained the largest concentration of department stores. Clothing stores, jewellery stores, variety stores, and specialty stores. When the CBD was thriving, it made possible large scale comparative shopping for all types of merchandise. Ironically, the CBD was an early “mall” concept in that stores were relatively closed and comparison could be made easily. The downtown area also met the needs of out of town shoppers, who would frequently be visiting on business or staying in a downtown hotel.

Reuse and modernization of commercial buildings also promise to help return of the street level retail activity to downtown areas. A retailer must decide whether renovation of downtown building space is commercially feasible. The following attributes should be considered;

- (1) Easy access from street,
- (2) Abundance of foot and vehicular traffic,
- (3) Space and lighting for appropriate signage,
- (4) Physical dimensions required to support business use,
- (5) A contiguous population that can correlate with the quality of shops and their brand name merchandise and the expected cost of goods, and
- (6) The design enticements make the location a unique shopping experience.



A Central business District (CBD)

Advantages

- Draws people during business hours
- Heavy public transportation
- Pedestrian traffic
- Residential area as well

Disadvantages

- High security required
- Shoplifting
- Parking is poor
- Evenings and weekends are slow

Secondary Business District comprises unplanned cluster of store often located on a major intersection of city.

b. Planned Shopping Centers (Part of a Shopping Center)

A shopping center has been defined as “a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property”

The basic configuration of a shopping centre is a “Mall” or Strip centre.

A mall is typically enclosed and climate controlled. A walkway is provided in front of the stores.

A strip centre is a row of stores with parking provided in the front of the stores.

The expansion of suburbia brought with it planned residential developments. Many new city streets and thoroughfares along which retail businesses could be established connected these new subdivisions. The notion of the planned shopping center was born. Developers could plan multi-store facilities that would serve the needs of these new neighborhoods with grocery, drug, and apparel goods. With the availability of large tracts of relatively cheap undeveloped land located many miles from the inner city, but close to these new living areas, large centres could be designed that would offer one-stop shopping to entire clusters of residential areas. The last thirty years witnessed the widespread development of multi-unit retail strip centres and the construction of multi-user shopping malls/theme parks. Several important issues surround the choice of locating a retail business in a planned shopping center. One important consideration is the nature of the business sharing lease space within the center. Recent research has shown that either the image of your retail business will be positively or negatively influenced by the types of business that surround you, a process that is called image transference. The term shopping center has been evolving since the early 1950s. Given the maturity of the industry, numerous types of centers currently exist that go beyond the standard definitions.

Industry nomenclature originally offered four basic terms:

- 1) Neighbourhood,
- 2) Community,
- 3) Regional, and
- 4) Super regional.

However, as the industry has grown and changed, more types of centres have evolved, and these four classifications are no longer adequate.

In India planned shopping centers can be classified into two categories:



Regional Shopping Centers or Mall

Regional shopping centers or mall are the largest planned shopping centers. Often they are anchored by two or more major department stores have enclosed mall serve a large trading area and have high rents. (Ansal Plaza, Spencers Plaza crossroads, DLF city in Gurgaon). This type provides general merchandise, a large percentage of which is apparel, and services in full depth and variety. Its main attraction is its anchors: traditional, mass merchants, or discount department store or fashion specialty stores.

A typical regional center is usually enclosed, with an inward orientation of stores connected by a common walkway. Parking surrounds the outside perimeter. Regional shopping centers provide full depth and variety in apparel, furniture, home furnishings, and general merchandise. Regional centers typically contain at least three large full – line department stores supplemented by numerous apparel stores, shoe stores, house hold appliance stores, furniture stores, drug stores, and super markets. More recently off – price and discount anchors have appeared as mall operators respond to the need of retaining value – conscious shoppers. Gross Leasable area for this type of mall ranges between 300,000 and 1,000,000 square feet.

The typical size of a regional center is above 400,000 square feet on a 40-to 100 acre site. A trade area of 200,000 or more people is normally required. A key point of differentiation between the community and the regional center is the extent to which people are willing to drive from one city to another to patronize a regional center. In other words, the

shopping alternatives that are available in a regional center must not be present in surrounding communities. This case is often encountered in large urbanized areas that contain multiple large-scale malls, each of which contains similar anchors. A retailer's decision to locate within a regional mall is, again, dependent on the level of demand that is available given rental and utility costs. Another important mall location consideration is signage. As a non-anchor tenant, the lifeblood is not traffic drawn from the street by a sign or storefront but the inter anchor traffic generated within the mall. This captured traffic, however, permits the survival of narrow niche marketers like specialty restaurants.



Regional Shopping Centers or Mall

Super Regional Shopping Center

This is similar to a regional center but because of its larger size, a super regional center has more anchors, contains a deeper selection of merchandise, and draws from a larger population base. As with regional center, the typical configuration is an enclosed mall, frequently with multiple levels. The super regional shopping center is the largest of the planned centers. It encompasses the largest, most complete assortments of goods and services backed by four or more department store in the 100,000-square – foot and larger class.

The gross leasable area of the super regional center ranges from 800,000 square feet to well over 1,000,000. The largest super regional, the West Edmonton Mall, is located in Edmonton, Alberta, Canada, and boasts 5.2 million square feet of floor space and 3.8 million feet of GLA. More than 20 million people visited its 823 stores, 110 restaurants, and indoor amusement park in a single year



Super regional shopping center

Neighborhood/Community Shopping Centers

Neighborhood/community centers usually have a balanced mix of stores including a few grocery stores, a chemist, a variety store and a few other stores selling convenience goods to the residents of the neighborhood. This type is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Roughly, a super market anchors half of these centers, while about a third has a drugstore anchor. Smaller stores offering drugs, sundries, snacks, and personal services support these anchors.

A neighborhood center is usually configured as a straight –line strip with no enclosed walkway or mall area, although a canopy may connect the storefronts. The relatively small size of the strip center means that it offers a rather narrow array of convenience or specialty stores. It is best designed to serve individuals living in the immediate vicinity or frequent passersby who would see the stores in the center as being “convenient”. The neighborhood strip center can be placed almost anywhere that land permits. Inter sections and main thoroughfares are the most popular sites. Notably, recent changes in shopping patterns have seen a move away from urban and regional malls to this neighborhood formats

A community center typically offers a wider range of apparel and other soft goods than the neighborhood center. Among the more common anchors are super markets, super drugstores, and discount department stores. Community center tenants sometimes include off-price retailers selling such items as apparel, home improvement/furnishings, toys,

electronics, or sporting goods. The centre is usually configured as a strip, in a straight line, an “L”, or a “U” shape. Of the eight centers types, community centers encompass the widest range of formats.

For example, certain centers that are anchored by a large discount department store refer to themselves as discount centers. Others with a high parentage of square footage allocated to off-prices retailers can be termed off-price centers. The community centers usually have 100,000 to 350,000 or more square feet of gross leasable area. Some 90 percent of the newer centers measure less than 150,000 square feet of GLA. A retailer’s decision to locate with in a community center will be based on the ability to benefit from traffic drawn from across the entire community. Because the rental rates in the community centre will be much higher than those for a neighborhood are or strip center, the revenue benefits must be worth the additional costs



Neighbourhood/community shopping centers

Advantages

- Convenient locations
- Easy parking
- Low occupancy costs

Disadvantages

- Limited trade area
- Lack of entertainment
- No protection from weather

Some Other Types of Store Location

Fashion/Specialty Centre

This type is composed mainly of upscale apparel shops, boutiques, and craft shops carrying selected fashion or unique merchandise of high quality and price. These centers need not be anchored, although sometimes restaurants or entertainment can provide the draw of anchors. The physical design of the center is very sophisticated, emphasizing a rich décor and high quality landscaping. These centers usually are found in trade areas having high-income levels.



Fashion/specialty centre

Power Centre

Dominated by several large anchors, a power center includes discount department stores, off – price stores, warehouse clubs, or “category killers,” that is, stores that offer tremendous selection in a particular merchandise category at low prices. Some of these anchors can be freestanding (unconnected). The centre has only a minimum amount of small specialty tenants.

Power centers are usually constructed as large strip centers with at least 75 percent of the gross leasable area devoted to three or more high-traffic high – volume discount – oriented anchor – type tenants. For example, service merchandise, Pets Mart, Best Buy, Office Depot, and Toys ‘R’ us could share a common parking area in much the same fashion as a traditional shopping center. Not all power centers are newly constructed.

In fact, many viable “Power centers” are traditional community shopping malls or older open centers that have been revived as discount shopping centers. In between the anchor stores are smaller leasable areas for independent or chain discount retailers. A major consideration will be price and assortments. The smaller tenant in the power center will need to be a niche discounter. While traffic counts will be very high for the power centers, the anchor stores will generally cover a broad spectrum of product lines. To successfully compete in the backyard of these discounts giants; a retailer will have to carefully select merchandise and the services offered should be consistent with the needs of the power centre shopper.



Power centre

Theme / Festival Center

1. This center typically employs a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in their merchandise. The biggest appeal of this center is for tourists; restaurants and entertainment facilities can anchor it. The center is generally located in an urban area, tends to be adapted from an older (sometimes historic) building, and can be part of a mixed – use project. A theme / festival center normally contains from 80,000 to 250,000 square feet and covers 5 to 20 acres. Theme centers have common architectural motifs that unite a wide range of retailers. These tenants tend to offer unusual merchandise and have restaurants and entertainment centers that serve as anchors, rather than super markets or department stores.



Theme / Festival center

Factory Outlet Center

Usually located in a rural or occasionally in a tourist area, an outlet center consists mostly of manufactures stores selling their own brands at a discount. An outlet center typically is not anchored. A strip configuration is most common, although some are enclosed malls and others can be arranged in a “Village” cluster. Factory outlet malls draw a combination of middle and lower class socioeconomic customers. Some contemporary factory outlet centers also include some off price stores, particularly newer multilevel mall – style formats. In addition, given the larger scale for mats of outlets centers, factory outlets seem ideally suited for tourist destinations.

Factory outlet stores provide manufactures with a way to sell the products that were over produced without going through the traditional retail distribution channel. Sensitivity to location is a key issue here since many brands can be sold in both a factory outlet store and the traditional retail store.

Factory outlet stores seem to be most popular among specialty clothing, sporting goods, leather goods, luggage shoes, and house wares manufactures. A factory outlet mall is typically located at least thirty miles from national retail chains in order to draw traffic.



Factory outlet center

Summary

Store is place, where the shoppers come to buy goods and services. The sales transaction occurs at this junction. Location of retail business has a significant impact on its survival. In fact, selection of the wrong location may lead to business failure. Retailers usually go through four step process to select a store location: Analysing alternate trade areas, Determining the most beneficial type of location, Selecting a general site and, Selecting a specific site. Retail stores should be located where market opportunities are best.

Lesson 1.2 - Store Location and Retail Strategy

Learning Objectives

- Understand the Retail Location strategy
- Examine financial strategy

Introduction

Strategic planning is an ongoing process. Every day, retailers audit their situations, examine consumer trends, study new technologies, and monitor competitive activities. But the retail strategy statement does not change every year or every six months; the strategy statement is reviewed and altered only when major changes in the retailer's environment or capabilities occur.

When a retailer undertakes a major reexamination of its strategy, the process for developing a new strategy statement may take a year or two. Potential strategic directions are generated by people at all levels of the organization, then evaluated by senior executives and operating personnel to ensure that the eventual strategic direction is profitable in the long run and can be implemented.

A retailer's long-term performance is largely determined by its strategy. A strategy coordinates employees' activities and communicates the direction the retailer plans to take. Thus, retail market strategy describes both the strategic direction and the process by which the strategy is to be developed.

The retail strategy statement includes an identification of a target market and the retail format (its offering) to be directed toward that target market. The statement also needs to indicate the retailer's methods to build a sustainable competitive advantage. Seven important opportunities for retailers to develop sustainable competitive advantages are

- Customer loyalty,
- Location,
- Human resource management,
- Distribution and information systems,
- Unique merchandise,
- Vendor relations,
- Customer service.

The strategic planning process consists of a sequence of steps, including

- Defining the business mission,
- Conducting a situation audit,
- Identifying strategic opportunities,
- Evaluating the alternatives,
- Establishing specific objectives and allocating resources,
- Developing a retail mix to implement strategy, and
- Evaluating performance and making adjustments.

Financial Strategy

Different types of retailers have different financial operating characteristics. Specifically, department store chains generally have higher profit margins and lower turnover ratios than warehouse clubs. Yet when margin and turnover are combined into return on assets, it is possible to achieve similar financial performance.

Financial performance measures evaluate and affect different aspects of a retailing organization. Although the return on assets ratio in the strategic profit model is appropriate for evaluating the performance of the retail executives responsible for managing the firm, other measures are more appropriate for more specific activities. For instance, inventory turnover and gross margin are appropriate for buyers, whereas store managers should be concerned with sales or gross margin per square foot or per employee.

Retail Locations strategy

Decisions about where to locate a store are critical to any retailer's success. Location decisions are particularly important because of their high-cost, long-term commitment and impact on customer patronage. Choosing a particular location type involves evaluating a series of trade-offs. These trade-offs generally include the occupancy cost of the location, the pedestrian and vehicle customer traffic associated with the location, the restrictions placed on store operations by the property managers, and the convenience of the location for customers. In addition, legal issues need to be considered when selecting a site.

Retailers have a plethora of types of sites from which to choose. Each type of location has advantages and disadvantages. Many central business districts, inner-city, and Main Street locations have become more viable options than in the past due to gentrification of the areas, tax incentives, and the lack of competition. There also are a wide variety of shopping center types for retailers. They can locate in a strip or power center, or they can go into an enclosed mall or a lifestyle, fashion/specialty, theme/ festival, outlet or center. Other nontraditional sites are mixed use developments, virtual locations, airports, resorts, stores within a store, and temporary locations.

A retailer should first begin with a mission statement. This helps retailer, its employees, and its customers understand the purpose of the business. The core concepts and culture that come from a mission statement flow from the choice of the strategies selected in an attempt to achieve a competitive advantage. Location may be the primary strategy selected, or it may be merchandise, price, service, or communication. Whatever strategy is emphasized, location is a critical variable.

Owners or managers who wish to emphasize merchandise quality will require an entirely different location than managers of a low-margin discount house. Just as the strategy and objectives of a retailer are integral to the location decision process, so is the importance of market research. The use of marketing research criteria in deciding on a location depends on what type of information or answer is needed, from the research time and cost factors, and the importance of the decision in the overall strategy.

Summary

Factors of retail location are Population and Potential Customer, Accessibility, Visibility and Traffic, Signage, Zoning and Planning, Competition and Neighbours, Location Costs, Personal Factors, Special Considerations. Typically a store location may be: Isolated /Freestanding Location, Business Associated Location. The retail strategy statement includes an identification of a target market and the retail format (its offering) to be directed toward that target market. The statement also needs to indicate the retailer's methods to build a sustainable competitive advantage. Seven important opportunities for retailers to develop sustainable competitive advantages are Customer loyalty, Location, Human resource management,, Distribution and information systems, Unique merchandise, Vendor relations, Customer service. The strategic planning process consists of following sequences such as Defining the business mission,, Conducting a situation audit, Identifying strategic opportunities, Evaluating the alternatives, Establishing specific objectives and allocating resources, Developing a retail mix to implement strategy, and Evaluating performance and making adjustments.

Lesson 1.3 - Selecting the Store Location

Learning Objectives

- Determining the market Potential
- Examine the steps involved in the selection of a Store Location

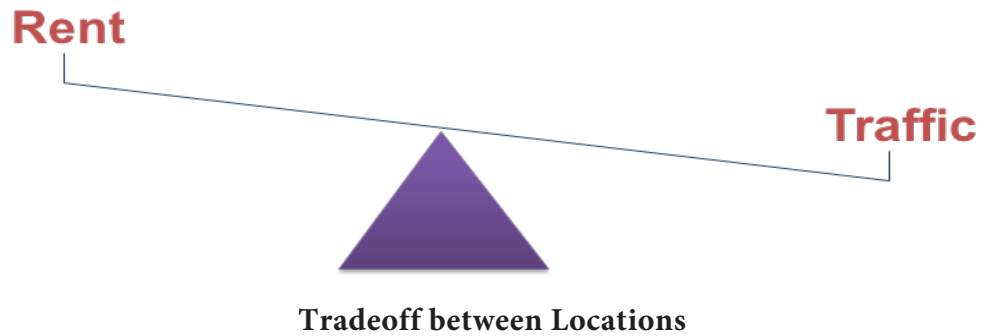
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Steps Involved in Selecting a Store Location

- The size of the trade area (geographic area encompassing most of the customers who would patronise a specific retail site)
- The occupancy cost of the location
- The pedestrian and vehicle customer traffic
- The restrictions placed on store operations by the property manager
- The convenience of the location for customers



In order to arrive at the decision on where to locate the retail store a retailer needs to finalise the region where he wants to locate the store.

After identifying the region the following steps to be followed

- Identifying the market in which to locate the store.
- Evaluate the demand and supply within that market. i.e. determine the market potential.
- Identify the most attractive sites
- Select the best site available

Importance of Location Decision

Even though non-store retailing is growing, most of the retailers are still selling from retail store space. Some of these retailers are very small single-store operators, and some are huge superstore discounters. Each location selected resulted from an effort to satisfy the needs of the particular market each was designed to serve. Many factors together like, customer's need for convenience, their desire to do comparison-shopping, and the extent of the purchasing power in a market area, of the transportation facilities available etc. led to the development of different kinds of retail locations. There is an old saying that three things determine the value of real estate: location, location, and location. Nowhere is that more the case than with stores. A wall street journal study looked at the largest store as measured by gross sales of the twenty largest brands. Not surprisingly, in nearly every case, a unique location was a major factor. The study provides some interesting examples. A Baskin –Robbins store is in a Waikiki mall where it is the only food store. Crowds of tourists throng round the year and a known brand lead to sales exceeding \$1 million a year. An on-base Domino Pizza store on a military installation

with 11,000 Marines and their families sells as many as 4,000 pizzas per week. In New York, across from Macy's, which generates enormous traffic, where Sixth Avenue and Broadway converge, a Florsheim men's shoe store serves some 30,000 customers a year. Retail stores should be located where market opportunities are best.

After a country, region city or trade area, and neighbourhood have been identified as satisfactory; a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A thorough study of customers and their shopping behaviour should be made before a location is chosen. The finest store in the world will not live up to its potential if it is located where customers cannot or will not travel to shop.

The primary role of the retail store or center is to attract the shopper to the location. Alternatively, retailers must take the store to where the people are, either at home or in crowds. Examples of taking the store to where the crowds are include airport location, theme parks and vending machines. Every retail store strives for its competitive advantage. For some stores, it is price. For others, it is promotional expertise of the special services that are offered. Despite any differences among the various stores that may be competing for the shopper's rupees, location offers a unique asset for all stores because once a site is selected; it cannot be occupied by another store. This advantage, however, points to the importance of location analysis and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years. In short, location and site selection is one of the most important decisions made by a retail owner. We need to look for ways to optimise this process.

Market Identification

The first step in arriving at a decision on retail location is to identify the market attractiveness to a retailer. This is important that retail needs to understand the market well.

Determining the Market Potential

The retailer needs to take into consideration various elements as shown in format.

- Demographic features of the population
- The characteristics of the household in the area (average household income)
- Competition and compatibility (Need to know compatibility and competition in market)
- Laws and regulations:(good understanding of the laws)
- Determining the market Potential

Location/Site Evaluation Checklist

Pedestrian Traffic	Number of people Type of people	_____ _____
Vehicular Traffic	Number of vehicles Type of vehicles Traffic congestion	_____ _____ _____
Parking Facilities	Number and quality of parking spots Distance to store Availability of employee parking	_____ _____ _____
Transportation	Availability of mass transit Access from major highways Ease of deliveries	_____ _____ _____
Store Composition	Number and size of stores Affinity Retail balance	_____ _____ _____
Specific Site	Visibility Placement in the location Size and shape of the lot Size and shape of the building Condition and age of the lot and building	_____ _____ _____ _____ _____
Terms of Occupancy	Ownership or leasing terms Operations and maintenance costs Taxes Zoning restrictions Voluntary regulations	_____ _____ _____ _____ _____
Overall Rating	General location Specific site	_____ _____

Source: Berman, Evans, "Retail Management: A Strategic approach

Summary

Decisions about where to locate a store are critical to any retailer's success. Location decisions are particularly important because of their high-cost, long-term commitment and impact on customer patronage. In order to arrive at the decision on where to locate the retail store a retailer needs to finalize the region where he wants to locate the store. After identifying the region the following steps to be followed are identifying the market in which to locate the store, evaluate the demand and supply within that market, identify the most attractive sites, and Select the best site available. The first step in arriving at a decision on retail location is to identify the market attractiveness to a retailer. The retailer needs to take into consideration various elements such as: Demographic features of the population, The characteristics of the household in the Competition and compatibility, Laws and regulations.

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Lesson 1.4 - Market Area Analysis

Learning Objectives

- Understand the Market Area Analysis
- Identify the effect of demographic, economic and cultural factors

Introduction

A market area is the surface over which a demand or supply offered at a specific location is expressed. The analysis of the way in which the market area of a firm is established. A. Lösch (1954) postulated an isotropic plain with settlements regularly spaced. As one settlement develops manufacturing, its trade area can be represented by a demand cone. At its centre, the point of production, demand is high since the price need not include transport costs. With movement away from the point of production, the cost of the product will rise as transport costs are added. Transport costs may be incurred by movement of goods to the customer or by the customer in travelling to the point of production. Either way, buyers will be paying more than they would at the point of production. The market area will extend to the point where costs are enough to make the product prohibitively expensive. Beyond this point, a competitor may locate. In time, a hexagonal pattern of market areas will arise since the hexagon represents the most efficient shape of trade area. Thus, locational interdependence determines the pattern of market areas. The market will be supplied by a system of regularly spaced plants, and the density of these plants increases as industry develops. In reality, the evolution of market areas is far more complex than the analysis given above.

Issues to be Considered in Location Analysis

The several factors used in location analysis are

1. Demographics,
2. Economic,

3. Cultural,
4. Demand and Supply
5. Competition, and
6. Infrastructure
7. Political/ Legal
8. Technological

Effect of Demographic Factors

Demography is the study of population characteristics that are used to describe consumers. Retailers can obtain information about the consumer's age, gender, income, education, family characteristics, occupation, and many other items. These **demographic variables** may be used to select market segments, which become the target markets for the retailer. Demographics aid retailers in identifying and targeting potential customers in certain geographic locations. Retailers are able to track many consumer trends by analyzing changes in demographics. Demographics provide retailers with information to help locate and describe customers. Linking demographics to behavioral and lifestyle characteristics helps retailers find out exactly who their consumers are. Retailers who target certain specific demographics characteristics should make sure that those characteristics exist in enough abundance to justify locations in new countries or regions. For Example a country like India would be an attractive market for setting up a retailer outlet for IT products as India has predominantly young population who are IT savvy.

Demographic structure is seldom static for long and changes in its composition often test the residency of a marketing firm. Further, these changes influence the behaviour of consumers which, in turn, will have a direct impact in the retailer's business. The ripples of these changes will reach the organization forcing it to alter or amend the existing marketing practices in vogue. In short, Retail firms, will have to continuously measure the changes - qualitative as well as quantitative - that are taking place in the population structure. To avoid negative consequences brought on by active consumer groups, a retailer must communicate with consumers, anticipate problems, respond to complaints and make sure that the firm operates properly.

Effect of Demand and Supply Factors

A market depends on the relationship between supply and demand. It acts as a price fixing mechanism for goods and services.

Demand

The demand for a retailer's goods and services will influence where the retailer will locate its stores. Not only must consumers want to purchase the goods, but they must have the ability or money to do so as well. Demand characteristics are a function of the population and the buying power of the population that the retailer is targeting. Population and income statistics are available for most countries and regions with developed economics. In developing countries, the income data may be little more than an informed guess. These statistics allow the comparisons of population and a basic determination of who will be able to purchase the goods carried in the store. This is of utmost importance for retailers, whether they carry higher-priced goods – such as durables, furniture, jewellery, and electronics – or lower – priced goods-such as basic apparel or toys.

Demand is the quantity of a good or service that consumers are willing to buy at a given price. It is high if the price of a commodity is low, while in the opposite situation - a high price - demand would be low. Outside market price, demand can generally be influenced by the following factors:

- **Utility.** While goods and services that are necessities (such as food) do not see much fluctuation in the demand, the demand for items deemed of lesser utility (even frivolous) would vary according to income and economic cycles.
- **Income level.** Income, especially disposable income, is directly proportional with consumption. A population with a high income level has much more purchasing power than a population with a low income.
- **Inflation.** Involves an increase in the money supply in relation to the availability of assets, commodities, goods and services. Although it directly influences prices, inflation is outside the supply-demand

relationship and decreases the purchasing power, if wages are not increased accordingly.

- **Taxation.** Sale and value added taxes can have an inhibiting effect on sales of goods and services as they add to the production costs and claim a share of consumer's income.
- **Savings.** The quantity of capital available in savings can provide a potential to acquire consumption goods. Also, people may restrain from consuming if saving is a priority, namely in periods of economic hardship. The wide availability of credit in a fiat currency system has considerably skewed the relationships between savings and consumption as it promotes current consumption levels, but at the expense of future consumption.

Supply

It is the amount of goods or services, which firms or individuals are able to produce taking account of a selling price. Outside price, supply can generally influenced by the following factors:

- **Profits.** Even if the sales of a product are limited, if profits are high an activity providing goods or services may be satisfied with this situation. This is particularly the case for luxury goods. If profits are low, an activity can cease, thus lowering the supply.
- **Competition.** Competition is one of the most important mechanisms for establishing prices. Where competition is absent (an oligopoly), or where there is too much (over-competition), prices artificially influence supply and demand.

According to the market principle, supply and demand are determined by the price, which is equilibrium between both. It is often called equilibrium price or market price. This price is a compromise between the desire of firms to sell their goods and services at the highest price possible and the desire of consumers to buy goods and services at the lowest possible price.

For many economists, the market is a point where goods and services are exchanged and does not have a specific location, since it is simply an abstraction of the relationships between supply and demand.

It is important to nuance in this reasoning since most of the time consumers must move in order to acquire a good or service. The producer must also ship a commodity to a place where the consumer can buy it, be at the store or at his/her residence (in the case of online shopping). The concept of distance thus must be considered concomitantly with the concept of market. In those conditions, the real price includes the market price plus the transport price from the market to the location of final consumption.

Effect of Economic Factor

Businesses operate in an economic environment and base many decisions on economic analysis. Economic factors such as a country's gross domestic product, current interest rates, employment rates, and general economic conditions affect how retailers in general perform financially. (**Gross domestic product** is a measure of the goods and services produced in the country.) For example, employment rates can affect the quantity and quality of the labour pool available for retailers as well as influence the ability of customers to buy. Normally, growth in a country's gross domestic product indicates growth in retail sales and disposable income. Retailers want to locate in countries or regions that have steadily growing gross national products. As interest rate rise, the cost of carrying inventory on credit rises for retailers and the cost of purchasing durable goods rise for consumers. Retailers should evaluate countries that have projected significant increases in interest rates very carefully. Retailers will also be affected by a rise in employment rates; this lowers the supply of available workers to staff and support retail locations. Let us consider the example of China. The country has a billion people, a low but growing per capita income, and major urban areas even though the country is largely rural. Consumers are used to purchasing food product on an almost daily basis. They pay close attention to prices and often prefer to haggle. Japan's supermarket chain, **Yaohan**, sees increasing economic well-being as a signal for opportunities in china. A wall street journal article tells how the Japanese firm is attacking the market: "Yaohan's joint – venture super market, a 7,000 – square – foot store wedged into the ground floor of an apartment complex in a working class district, sells most locally produced fresh and packaged goods at prices that match or beat those at local stores."

The company plans to open 1,200 stores by the year 2012

Retail markets consist of purchasing power as well as people. Total purchasing power is a function of current income, prices, savings and credit availability. Marketers should be cognizant of major trends in the economic environment. The changes in economic conditions can have destructive impacts on business plans of a firm. Economic forecasters looking ahead through the next decade are likely to find their predictions clouded by the recurrent themes of shortages, rising costs and up and down business cycles. These changes in economic conditions provide marketers with new challenges and threats. How effectively these challenges could be converted into opportunities depend on well-thought-out marketing programmes and strategies. Further, no economy is free from the tendency of variation between boom and depression, whether it is a free economy or controlled economy. In any event, economic swings affect marketing activity, because they affect purchasing power.

Market Size and Shape

Each economic activity possesses a location, but the various demands (raw materials, labor, parts, services, etc.) and flows it generates also have a spatial dimension called a market area.

A market area is the surface over which a demand or supply offered at a specific location is expressed. For a factory it includes the areas to where its products are shipped; for a retail store it is the tributary area from which it draws its customers.

Transportation is particularly important in market area analysis because it impacts on the location of the activities as well as their accessibility. The size of a market area is a function of its threshold and range:

- **Market threshold:** Minimum demand necessary to support an economic activity such as a service. Since each demand has a distinct location, a threshold has a direct spatial dimension. The size of a market has a direct relationship with its threshold.
- **Market range:** The maximum distance each unit of demand is willing to travel to reach a service or the maximum distance a product can be shipped to a customer. The range is a function

of transport costs, time or convenience in view of intervening opportunities. To be profitable, a market must have a range higher than its threshold.

In the case of a single market area its shape in an isotropic plain is a simple concentric circle having the market range as radius. Since the purpose of commercial activities is to service all the available demand, when possible, and that the range of many activities is limited, more than one location is required to service an area. For such a purpose, an hexagonal-shaped structure of market areas represents the optimal market shape under a condition of isotropy. This shape can be modified by non-isotropic conditions mainly related to variations in density and accessibility.

Effect of Social/Cultural Factor

In recent years, the concept of social responsibility has entered into the marketing literature as an alternative to the marketing concept. The implication of socially responsible marketing is that retail firms should take the lead in eliminating socially harmful products such as cigarettes and other harmful drugs etc. There are innumerable pressure groups such as consumer activists, social workers, mass media, professional groups and others who impose restrictions on marketing process and its impact may be felt by retailers in doing their business. The society that people grow up in shapes their basic beliefs, values and norms.

Cultural

Cultural characteristics affect how consumers shop and what goods they purchase. The values, standards, and language that a person is exposed to, while growing up are indicators of future consumption behavior. Consumers want to feel comfortable in the environment in which they shop. To accomplish this, retailers must understand the culture and language of their customers. In a bilingual area, a retailer may need to hire employees who are capable of speaking both of the languages spoken by the customers. Some retailers have found it useful to market to the cultural heritage of their consumers, while other retailers seek to market cross – culturally. Normally larger cultures are made of many distinct subcultures. Retailers need to be aware of the different aspects of culture

that will affect the location decision. For example, greeting cards sold in the United States normally have verses on the inside, while greeting cards sold in Europe normally do not.

Effect of Competition Factor

Levels of competitions vary by nation and region. In some areas, retailers will face much stiffer competition than in other areas. Normally, the more industrialized a nation is, the higher the level of competition that exists between its borders. One of the environmental influences on the success or failure of a retail establishment is how the retailer is able to handle the competitive advantages of its competition. A retailer must be knowledgeable concerning both direct and indirect competitors in the marketplace, what goods and services they provide, and their image in the mind of the consumer population. Sometimes a retailer may decide to go head to head with a competitor when the reasons are not entirely clear.

Competition involves similar activities trying to attract customers. Although the core foundation of competition for a comparable good or service is price, there are several special strategies that impact the price element. The two most common are:

- **Market coverage.** Activities offering the same service will occupy locations in view to offer goods or services to the whole area. This aspect is well explained by the central place theory and applies well for sectors where spatial market saturation is a growth strategy (fast food, coffee shops, etc.). The range of each location will be a function of customer density, transport costs and the location of other competitors.
- **Range expansion.** Existing locations try to expand their ranges in order to attract more customers. Economies of scale resulting in larger retail activities are a trend in that direction, namely the emergence of shopping malls. Taken individually, each store would have a limited range. However, as a group they tend to attract additional customers from wider ranges for many reasons. First, complementarities of goods or services are offered. A customer would thus find it convenient to be able to buy clothes, shoes and personal care products at the same location. Second, a diversity of the same goods or services is offered even if they compete between

one other. Third, other related amenities are provided such as safety, food, indoor walking space, entertainment and also parking space.

Making market area competition models operational has been the object of numerous approaches. The early work of Hotelling (1929) with his principle of market competition, created the foundations of market area analysis by considering factors such as retail location and distance decay. Later, factors such as market size were taken into consideration (Reilly's law) permitting to build complex market areas. Since market areas are often non-monopolistic, this factor was included with market areas becoming ranges of probabilities that customers will attend specific locations (Huff's Law). Although market areas are particularly relevant for retail analysis, the methodology also applies to time dependant activities, such as freight distribution.

Effect of Infrastructure Factors

Infrastructure characteristics deal with the basic framework that allows business to operate. Retailers require some form of channel to deliver the goods and services to their door. Depending on what type of transportation is involved, distribution relies heavily on the existing infrastructure of highways, roads, bridges, river ways, and railways. Legal infrastructures – such as laws, regulations and court rulings – and technical infrastructures – such as level of computerization, communication systems, and electrical power availability also influence store location decisions. Distribution plays a key role in the location decision especially for countries and regions. There is a significant variance in quantity and quality of infrastructures across countries. A retailer, whose operation depends on reliable computerization and communications, would not need to consider a country or a region that did not meet those criteria. The need for refrigerated trucks to distribute frozen juice might limit a retailer like Orange juice in its ability to expend to India. The multilevel small wholesaler infrastructure in Japan has been a major hurdle for retailers attempting to enter that market. The legal environment is a part of the overall infrastructure a firm must consider. For example, many countries require non-native businesses to have a native partner before establishing retail locations. The legal requirements a retailer operates under in one country will not be the same for another country or region and may be

different from state to state within the United States. Another part of the location analysis at the country or regional level may be the simple fact of whether or not locations are available and can be had at rents are double those in Tokyo and New York. A corner juice stand of thirty square feet pays rent in Hong Kong of \$38,000 (US\$ 4,918) each month. Bossing Marketing Ltd., a clothing retailer, pays HK\$ 1,000,000. In conclusion, the demographic, demand, competition, cultural, infrastructure and economic characteristics are important in analyzing a country or region.

Effect of Political / Legal Factor

Retail marketing decisions are substantially impacted by developments in the political / legal environment. This environment is composed of laws, government agencies and pressure groups that influence and constrain various organizations and individuals in society. Legislation affecting retail business has steadily increased over the years.

Effect of Technological Factor

The most dramatic force shaping people's lives is technology. Advances in technology are important factors which affect retail marketers in two ways. First, they are totally unpredictable and secondly, adoption of new technology often is prevented by constraints imposed by internal and external resources. At the same time, it should be remembered that technological progress creates new avenues of opportunity and also poses threat for individual firms. Technology has helped retailers to measure the products with modern weighing machines. Earlier, they have used balances which could not measure the merchandise correctly. With the help of weighing machine, products can be measured with the result customer satisfaction can be enhanced. In the following areas, technology has been extensively used.

1. Packing of the products
2. Printing the name of the shop on the product visibly
3. Modern refrigerators where merchandise can be used for a long time and
4. Billing

Summary

A market area is the surface over which a demand or supply offered at a specific location is expressed. The several factors used in location analysis are Demographics, Economic, Cultural, Demand and Supply, Competition, Infrastructure, Political/ Legal and Technological. Retailers can obtain information about the consumer's age, gender, income, education, family characteristics, occupation, and many other items. These demographic variables may be used to select market segments, which become the target markets for the retailer. Demographics aid retailers in identifying and targeting potential customers in certain geographic locations. Retailers are able to track many consumer trends by analyzing changes in demographics. Demographics provide retailers with information to help locate and describe customers. Linking demographics to behavioral and lifestyle characteristics helps retailers find out exactly who their consumers are. Retailers who target certain specific demographics characteristics should make sure that those characteristics exist in enough abundance to justify locations in new countries or regions.

Self Assessment Questions

1. Explain the nature and importance of store location.
2. Examine different types of store location.
3. What are the factors to be considered in the store location?
4. What are the main points of difference between Unplanned Shopping Centers and Planned Shopping Centers?
5. What is the Retail Location strategy?
6. Examine the role of financial strategy in store location.
7. How do you determine the market Potential?
8. Examine the steps involved in the selection of a Store Location.
9. What do you mean by Market Area Analysis? What are the important factors under Market Area Analysis to be taken care of?
10. Examine the effect of demographic, economic and cultural factors.

Malls founder on poor sales, bad management: Study

Palm Beach Galleria, once a sprawling mall, is now a favourite dating spot for couples to spend hours in the near-empty food court, uninterrupted by any moral police.

Launched with much fanfare in 2006 in Navi Mumbai, the 3.8 lakh-sq. ft. space now only houses two stores - Vijay Sales and More Retail. Neighbouring mall City Centre is another example of a mall that has turned haunted for all the wrong reasons.

These are not the only ones, say property consultants. According to Beyond Square Feet, a mall management consultancy, about 32 malls across India have shut operations in the last four years, of which 12 were in Mumbai alone. In the last one year, the city has seen three malls - City Mall (at Andheri), Kohinoor (at Kurla) and Dreamz (at Bhandup) shutting shop, while others such as Evershine (at Lokhandwala) and Mega Mall (at Oshiwara) are poised to down shutters.

Launched last year with the promise of establishing itself as Mumbai's biggest mall housing 300 shops over 4 million sq. ft., Phoenix Market City in Kurla, a midtown suburb of Mumbai, is now struggling to attract footfalls and retain retailers, despite boasting a mix of local and international brands.

Desperation among Mumbai mall developers is running high, given the burgeoning real estate prices. According to Kishore Bhatija, owner of Inorbit Mall, the cost has risen by 300 per cent in Mumbai, which is 50 times more than markets such as Delhi, Bangalore, Chennai or Kolkata.

Shubhranshu Pani, Managing Director, Retail, Jones Lang LaSalle India said, "The growth in retail in terms of end use of consumption and buying for the last two years has slowed down and is likely to continue. This is why no developer has announced plans to launch any new malls in Mumbai this year. Going forward, we are likely to see only serious players eyeing long-term potential from the mall business."

Poor planning

Besides poor consumption, lack of proper planning and management is being cited as the main reason for the failure, by Sushil Dungarwal, Chief Mall Mechanic of Beyond Square Feet. Other factors include bad design and retail mix, he added.

“The strata-sold model, wherein mall space is sold in parts, is also turning out to be a hurdle with investors only bothering with their returns rather than the longevity of the mall. The mall management often finds it difficult to bring the owners and the tenants to collectively act in co-operation with each other,” Subhranshu said.

Prescriptive options for developers to revive comatose malls include creating key anchor stores to lure other retailers, or using the mall for alternative use such as local shopping centres, offices or commercial space, Subhranshu opined.

Bhatija of Inorbit said developers would have to focus on innovation and activation programmes to bring in customers. “Owners are not in a hurry to increase rentals, but are focusing on getting more footfalls and having a healthy trading density,” he added.

*Source – Priyanka Pani & Manisha Jha, “Malls founder on poor sales, bad management: Study”
The Hindu Business Line – 4th April, 2013.*

CASE ANALYSIS

Introduction

Case is a description of an actual or hypothetical situation. A case is used to help students learn a broad range of skills. A case has many solutions and many alternatives.

Most of the cases are written to allow students to practice analytical techniques or to approach problems in a particular way. Only two business schools in Asia use case method as their primary approach for teaching.

1. Asian Institute of Management, Manila, 2. Indian Institute of Management, Ahmedabad. Other Business schools use a modified approach combining the case method with the traditional lecture method.

The case is typically a record of an issue which actually has been faced by a manager together with surrounding facts, opinions and prejudices upon which managerial decisions have to depend. The case may include more than one problem. Its concept differs from field to field and even from person to person within the same field.

Case method is efficient, economical in time, energy and patience of the teacher and the student. This method produces brilliant results. A student trained under it possesses sureness, a precision, a firmness of grasp in the short time in which he is compelled to spend in his acquiring knowledge.

The method is nothing but the practical application of the theory, which is the ultimate of our educational ideas, and not the acquisition of facts.

Management education must be directed to developing in students the qualities of understanding judgment and communication, leading to action. This opens a free channel between students and students and between students and teachers.

In a case method, the students pass through three basic discernible phases.

1. Firstly, the student realizes the inability to think of everything that his fellow students can think of.
2. Secondly, the student can accept, easily and naturally the need for cooperative help.
3. Finally, the student can realize that though the teacher knows the “best” view, he is free to present and hold to his views.

An outstanding effect of the case system is to put upon students the burden of independent thinking.

Categories of Cases

The simplest method of classifying cases is by length and use.

1. Short Cases

They are limited objective cases which deal with brief analysis of specific problem followed by discussion on more general lines. They are used for learning tools and techniques of disciplines such as accounts, production management, costing, and operations research.

2. Long Cases

They are very detailed and factual accounts running some times up to fifty pages. They deal with cases on human relations, technical problems or a combination of both. They provide sufficient information on the situation and personalities so as to enable the student to analyze, diagnose and see the general implications of his conclusions in context of the particular case.

Cases can also be classified depending on the type of management problems as individual problems, isolated incident, organizational problem or a combination of these.

The cases from the teacher's point of view can be classified as data dimension cases, analytical method dimension cases and value dimension cases.

Different Methods of Using a Case

1. **Case illustration:** The teacher or students present factual case illustration from his own experience. After the presentation, discussion may take place on how differently the situation could have been tackled.
2. **Case problems:** Useful in applying knowledge gained in lecture classes on a specific topic. The results can be compared with the solution prepared by the teacher or with what had been done in the actual situation.
3. **Syndicate discussion:** In this way, the class is divided into several syndicates and each syndicate has to report back to a plenary session.
4. **Case presentation:** A group presents the case analysis in the class session and a discussion follows on the group's analysis, assumptions and conclusions about the decisions to be taken.
5. **Cases and role plays:** Role plays, an extension to case methods, can be used in the action phase of the discussion of cases. Role plays can also be used occasionally in the diagnosis of the cases in human relations or administrative practices.
6. **The incident process:** The conventional case method has basic

limitations that it cannot reproduce the unfolding quality of the actual events. The incident method captures the living quality of a case situation, making the student to perceive and respond to the quality of process, when he analyses the cases. The incident process begins by narration of concise incident by the teacher. The details of the case are given to the students when they ask for it specifically. If the students fail to ask appropriate questions, the key information will be withheld. After this the group attempts analysis. Finally, the leader reports the “real life” solution.

Assumptions About Principles, Knowledge and Social Values

Principles

Cases are not used as illustrations of principles, rules or points. The application of principles must be done when the student has sufficient knowledge about their relevance and limitations and when they are very much need in the context.

Knowledge

1. Active situations in the case study help the teacher to transfer much knowledge and content to the students. Also, the student is in need for knowledge in dealing with problems, he gains more knowledge.

Social Values

Interpretation and judgment depend upon the social values held by the student and with the help of skilled teacher he can relate questions of value to problems of action instead of dealing with them in a vacuum.

Skills Developed by Case Method

A case method is primarily a vehicle for developing skills. The following are the skills acquired through case analysis:

1. **Analytical skills:** Students learn to classify, organize and evaluate information.

2. **Application skills:** Students learn to judge which techniques are appropriate, when they should be used and how they should be used.
3. **Creative skills:** Creativity is important in generating alternative solutions. Creative skills are acquired through case analysis.
4. **Communication skills:** It develops enormously the communication skills of the students.
5. **Social skills:** Students can learn to communicate, listen, support, argue, guide and control themselves. Case analysis provides inter-personal relations.

Advantages in the Case Method

The following are the advantages of case method:

1. It distributes knowledge and facts.
2. It improves participants' skill in problem analysis, communication and decision making.
3. It affects attitude formation and particularly brings home to the participant that nothing is absolutely right or wrong in the field of human behaviour.
4. It uncovers the meaningful insights and hypothesis.
5. It gives confidence to the participant to deal with real life situation in a solid and energetic manner.

Limitations

The following are the limitations of case method:

1. The value of the method in developing the ability to formulate, state and defend a reasoned opinion is reduced in case of large classes.
2. A lot of time and thought is required to purpose a case study.
3. In actual situation a person must live with a problem which does not happen in a case method.
4. Prolonged exposure to case studies can develop overly critical approach and a habit of looking what is wrong than instilling a more positive and constructive block.

5. Fully trained teachers are needed to lead the cases and help inculcate the habit of analysis of cases.

Use of Assumptions in Case Discussion

In case study assumptions are made both by teachers and students. To avoid the frustration the following solutions are suggested.

1. Assumptions are distributed the day before and the students and the teacher prepare for the class based on these assumptions.
2. The group defends its position on sound use of logic. The logic examines the inferential reasoning and not the assumptions themselves.
3. The next step is to check the validity and relevance of each assumption. As the students progress into higher sessions, the set of assumptions and quality of analysis improves.

Student's Role

In the case analysis, the following is the role of students:

1. No case class can be held if the students have not prepared the case.
2. Participation of the whole class is a must; the matter is not of argument but of thinking.

Case method approach must be a regular process for better learning.

Teacher's Role

1. The teacher must be open minded and should not be too dominating and authoritative. He should allow students to express their views freely.
2. Broader knowledge in different areas to deal with Multi Functional Cases through which he can relate the subject knowledge to organizational functions. For this, he can invite faculty members from different areas.
3. They must have a clear idea about the management profession in order to train the students accordingly.

4. The teacher is only facilitator. He only analyses and synthesizes the opinions of the class.
5. The teacher may play the following roles.
 - Guide
 - Moderator
 - Reality harbinger
 - Tension reliever
 - Inquisitor
 - Role player
 - Prompter
 - Clarifier
 - Answer giver
 - Summarizer
 - Integrator

Conducting a Class

1. The class must recognize that there is no single right solution for a case.
2. The teacher has to coordinate the class in such a way that each segment participates. He has to select the students at different junctures to create a healthy discussion.
3. A flexible strategy should be adopted in order to accept new themes developing in the class.
4. The teacher should let students find the answer.
5. The teacher has to direct or intervene whenever there is a necessity to change the theme, refine the argument or examine the issues which the class has overlooked.
6. Cases in reality have adequate data, so the teacher can involve the students who have experience in particular industry into the discussion or invite a company executive to attend the case.
7. Usually, students fall into following categories.
 - Some need challenges

- Some need encouragement
 - Some are lethargic
 - So, the teacher has to make all the students participate. The best case discussion is when it is held among students rather than between students and teacher.
1. Variety of allied teaching methods and aids like role plays, written reports after or before the class, films, slides, film strips and OHP transparencies could be used depending upon the purpose.
 2. Finally, the teacher, after the case, has to summarize, analyze, synthesize the views and opinions of the students.
 3. Most of the discussion should be done by the group and not by the teacher.
 4. The teacher should intervene, to hold the balance between the participants, to switch the discussions from sterile to profitable courses, to summarize points of value as they emerge.
 5. There must be a favourable atmosphere and good rapport between students and teacher. The teacher has to treat the students as adults.
 6. Introductory remarks, for the group unfamiliar with case studies, must be made.
 7. While leading the discussions, questions often become the tools for guiding the class.
 8. The discussion should be preceded by a thorough analysis of the facts.
 9. The teacher may begin with questions included in the cases or start with totally new ones.

Case Analysis Techniques

The following checklist is given to enable a reader to develop a quick approach for case analysis:

1. Quickly glance through the material.
2. Try to catch the general ideas by reading the case as a whole.
3. Comprehend the case perspective.
4. Mark mental notes or marginal notes of important facts and ideas.

5. Arrive at some preliminary formulation of the problem.
6. Grasp the relevant facts and firm up logically and orderly relationship between them.

One must remember that one is not inspiring to a perfection, but is developing analytical capability for problem solving. The following practical guidelines will assist in the case analysis.

1. For analysis of facts, the following suggestions are offered:
 - a. List of facts should be prepared in a logical manner.
 - b. If any assumption has been made, this should be clearly stated.
 - c. Quantitative analysis should be done with the help of statements, charts and graphs.
2. Main questions to be answered should be identified and questions which need answers to tackle the main question should be stated.
3. Criteria for the decision should be determined keeping in view the objectives.
 - a. Programming orientation
 - b. Responsibility identification
 - c. Schedule of events
 - d. Budget perspective
4. Contingency plans may be kept ready in case of need.

Systematic Approach to Case Analysis

Apart from foregoing checklists, the following points will be helpful for systematic approach to case analysis.

1. Define the main problems and issues in the case.
2. Identify relevant facts and date; appraise how they bear upon the issue.
3. Identify any facts or data not known which should be taken into account.
4. Summarize key assumptions about the situation.
5. Identify the causes of the problem.
6. Identify the alternative courses of action and appropriate ways of analyzing the facts and data relevant to make a decision.

7. Determine the consequences.
8. Weigh and decide among alternative courses of action giving full consideration to conclusions suggested by facts and analysis, and to lay our own judgment regarding the “Best choice”.
9. Develop plan of implementation.

CASE STUDY

Sabhika Bazar - a Movement

Much before the retail revolution had begun to sweep India at the turn of the new millennium and much before many had heard of the concept of retail chains, there was a brand from Delhi, slowly gearing up to become a powerhouse in Indian Retail. Started as a single store entity in South Delhi and the promise of consistently low prices on everything as its rock solid foundation, the ‘Sabhika Bazar’ brand today has grown to over 1600 stores across the length and breadth of India. Its name inspires trust and its consumers rely on it through all times to deliver larger savings as compared to any other retail chain or stand alone mom and pop stores. It is the only retailer from India to feature in the world’s top 100 local dynamos list, as per a recent study conducted by the global firm Boston Consultancy Group (BCG). Today Sabhika Bazar because of its customer centric policies enjoys a large share of every organized retail market that it operates in.

About Sabhika Bazar

Sabhika Bazar is India’s largest supermarket, pharmacy and telecom chain. Started in 1999 as a single store entity in South -Delhi, it is now present nationally with 1600 outlets and spread across more than 90 cities. HSBC Venture Capital has a 35% stake in Sabhika Bazar. Dented from the Hindi word, Sabhika or “for all”, Sabhika Bazar was founded by Mr. R. Suhasan who did his MBA from IIM, Ahmedabad has many first to his credit like starting asset securitization in early 80s, IPO financing in 85 and debentures trading. His vision to deliver consistently better value to Indian consumers has guided Sabhika Bazar to deliver savings to all consumers on each and every item that they need in their daily lives, 365 days a year. Without any compromise on quality of goods purchased. Sabhika Bazar now has the pan Indian presence with stores across

Delhi, UP, Punjab, Haryana, Gujarat, Maharashtra, AP, Karnataka and TN. Today, it is a multi-locational, professionally managed and vibrant organization that is poised to change the lives of millions of Indians, faster than ever before. Sabhika Bazar now has even opened Specialized Mobile shops called Shoppers Central Mobile Store where mobiles are sold at a discounted price.

Sabhika's range of fresh fruits and vegetables is sourced directly from farms on city outskirts and made available to consumers at very reasonable prices. It provides medicines to consumers at a flat 10% discount. It is also India's largest mobile retailer and offers handsets, accessories and charge cards from all leading brands including Nokia, Motorola, Sony Ericsson, LG, Samsung, etc. at the lowest prices. The Sabhika brand has spawned a completely indigenous business model that is ideal for the Indian market as opposed to blindly aping what is done in the west — a fact recognized even by global retailing giants. Its strategy of multiple neighbourhood stores, no-frills formats and genuinely low prices as opposed to gimmicky promotions or limited time offers has today found acceptance amongst millions of middle class consumers. Today, it is not just India's largest supermarket chain but also its biggest telecom retailer. Whether consumers are looking for the best quality rice and daal for their monthly grocery or trying to find the best price for their favourite mobile or wanting to sample the latest alphonsoes from Ratangiri or grapes from Nasik, there is Sabhika that consistently springs to mind. Even Reader Digest recognized Sabhika as the most trusted retail brand in their 2010 survey of India's most trusted brands.

Scouting for 'Viable Locations'

Falling retail volumes and high rentals have forced value retail chain Sabhika to scout for viable locations to relocate its store. Slamming rumors of their shops shutting down across India, the head of Sabhika said that the group was only 'relocating' some stores, and not shutting them. The move was only to reduce their operating costs, he added. However, many stores in Delhi and Mumbai, where the north-based retailer had extended aggressively, are currently shut, or have minimal stocks. Sabhika denies any store closures and opines to relocate 10% of their stores across the country. The purpose is to save around 90 crore, which is the cost of generating about two percent of its sale by way of taking advantage

of falling rentals. Through relocation, the company would be saving on its rental costs. In addition, it is also taking a re-look at other elements, including marketing costs.

On the Entry of MNCs and Reliance in the Retail Market

With the entry of Reliance, AV Birla, and Wal-Mart coming to India, everybody was worried about Sabhika's future because Wal-Mart is also going to be run by people like them. When this issue was discussed between media people and Mr. Suhasan, he pointed out that one should not worry about anybody's entry. There is a huge potential for growth in India. There is potential for another ten people to come in. Ultimately, the share of the unorganized kirana will come down and the share of organized sector will go up because of the efficacy in buying and distributing. Also, this is an extremely low margin business. Ultimately, everybody has to sell within the cost. It is not that we are geniuses; we have been in the business for ten years, and we have made enough mistakes and learnt from them.

The Sabhika's Promise

Lowest Prices & Great Savings Everyday!

Sabhika offers all goods at sharply discounted prices so that consumers can genuinely save in every transaction. Unlike other stores, the low prices at Sabhika are not limited to few goods or to a few specific days. Customers can get the same discounted prices on all items and on all days, irrespective of the fact whether they make a small or a big purchase. In fact, the discounts and customer savings at Sabhika are 4-5 times that offered by other small and big retailers.

Wide Selection of Goods

Sabhika offers consumers a wide selection to choose from:

Supermarket

Quality groceries, packaged foods, cosmetics and toiletries, household provisions etc., sourced from the best brands in India - all available at the lowest prices.

Fruits and Vegetables

A large range of fresh fruits and vegetables is sourced directly from farms on city outskirts and made available to consumers at very reasonable prices. Consumers get the freshest produce at the best prices.

Pharmacy

All medicines are made available to consumers at a flat 10% discount. This is especially helpful for elderly consumers and those who are on continuous medication.

Telecom

Sabhika is now India's largest mobile retailer and offers handsets, accessories and charge cards from all leading brands including Nokia, Motorola, Sony Ericsson, LG, Samsung, etc., at the lowest prices. You do not just get genuine company warranty but also amazing exchange offers on old phones, spot finance offers and much more.

Guaranteed Delivery

Sabhika guarantees to deliver the exact product you have selected. In case you have received a different product, or if the product was damaged in transit, please contact us within the stipulated time period and we will ensure that we replace it or refund you for it. Please note, we will deliver goods within the committed time period, but there could be occasional delays. We will contact you, in case deliveries are expected to get delayed.

Our Simple Return Policy

If you have purchased something at Sabhika and are not satisfied with its quality, then you can return the same to us; no questions will be asked, as long as it is in its original packaging and accompanied by its invoice. We will even make the return process simpler for you - just contact our call centre number or nearest Sabhika outlet from where the stock was delivered to you and we'll arrange to pick up the product from your home. Alternately, you could drop it off at the nearest Sabhika store.

Sabhika's Future Plans

Recent reports have indicated that Sabhika is in an extremely cash-strapped Situation. The store had to even stop its fruits and vegetables. But according to Mr. Suhasan, this part of the business was only secondary and not the core as a result of which it did not align with Sabhika's market strategy. The company also plans of entering the consumer durables space. He further added that other retailers in this industry too have started to renegotiate on their existing deals, Sabhika is not an exception to it. Currently Sabhika has around 1600 stores in India. The company does not have any plans to reduce this number but plans to add 400 more stores to touch 2000 mark. Turnover for the previous financial year was ₹ 2,300 crore. It is expected to cross ₹ 3000 crore in FY 2012. The company had dropped earlier plans of raising money through an initial public offer (IPO) due to current market circumstances. Instead, the company is looking to merge with another listed company, Blue Constructions and Investment Limited (BCIL). BCIL is a non-banking finance company (NBFC) listed on the National Stock Exchange (NSE). The merger will be complete over the next two to three months wherein the Sabhika's shareholders will hold 70 per cent of BCIL. Around 3 crore was paid to acquire 40 per cent stake in BCIL recently.

Conclusion

Even in inflationary times when other retailers have upped their prices. Sabhika continues to deliver the same savings and still lower prices on all its merchandise to consumers. And this is winning it even more accolades and trust from its consumers. The future looks bright as the company plans to take its total store count to 3000 by 2014. And its biggest dream to have an outlet within 2 km from every Indian household is finally coming true.

Questions

1. Delhi has around 22,000 domestic mom and pop stores. In contrast, Mr. R. Suhasan decided to start his new venture from Delhi which was considered to be over populated by retail stores. What do you think were the reasons that motivated R. Suhasan to start retailing business in Delhi?

2. Do you think that reason given by Suhasan in response to slamming rumors of their stores shutting down across India is viable in the given circumstances or lie presently is not accepting the media's reports about store closures?
3. Sabhika store, are a step ahead of small kirana stores but do not offer any shopping add-ons. Considering the vibrant changes in the retail industry, do you think that Sabhika's business model is sustainable? Explain.

Source: Singh, H., (2011) Retail Management: A Global Perspective Text and Cases, S.Chand New Delhi, pp. 751-754

CASE STUDY

Eminent Domain: Fair or Foul?

Prior to 2005, state and local governments had primarily used eminent domain to confiscate private land to build roads, schools, hospitals, and other public facilities. However, a 5—4 ruling by the US, Supreme Court (*Kelo v. City of New London*, 25 5. Ct. 2005) in June 2005, permitted eminent domain powers to be extended to confiscate waterfront homes in order to build an office complex and condominiums. As a result, some local and state governments are now using eminent domain to foreclose on private property so that real estate developers can build shopping malls that will pay more in property taxes to the community than the homes and small businesses they replaced.

These cities favor this expanded use of eminent domain to replace “blighted or deteriorating” private properties for “public use” by explaining that such action will benefit the general public by creating jobs and adding needed tax revenue to the area. Many responsible city leaders acknowledge that eminent domain is not a power to be used lightly. Cities must be sensitive to those who will be displaced. However, as part of a legislative process, with citizen input and discussion, the use of eminent domain is one of the most powerful tools city officials have to cur neighborhood ills and rejuvenate city budgets. While government officials admit to feeling sympathy for existing property owners, they have a legal obligation to consider all of their citizens who will benefit from the job creation these

projects bring. In addition, they point out that economic development is really cutthroat competition between neighboring communities. If one city or town doesn't offer incentives, its neighbors will.

Existing property owners oppose such action by claiming that the use of eminent domain to wipe out good, clean neighborhoods merely to increase tax revenues is a blow to the rights of all property owners. Theoretically, no property is now safe if some government body concludes that a developer can make better use of it. What is to become of the small business owner who has been at her current location for years and has built a loyal customer following? Others claim that once a city threatens the use of eminent domain, honest negotiations between the parties are over.

After hearing both sides of the argument, some state and local governments today are considering limits on the power of local governments to condemn private property and transfer it to real estate developers merely to improve a community's economic welfare. How can a community be better off if some of its citizens are made to suffer? Among the actions being considered are:

1. Defining economic benefit. This involves setting up a procedure to show that the economic benefits gained by the use of eminent domain far outweigh the negative consequences to the existing property owners. This alternative would make it harder for governmental units to declare a neighborhood "blighted or deteriorating" strictly for economic development.
2. Total ban. This entails a complete ban on the use of eminent domain for economic development. This can be accomplished by specifically banning economic development as a reason for permitting eminent domain or by listing what end results can be sought by the use of eminent domain.
3. Over compensation. In an attempt to make eminent domain less desirable, local and state governments would have to pay 25 percent to 100 percent above "fair" market value when they confiscate private property for economic development.
4. Do nothing. Don't establish separate rules for economic development. Government leaders must consider the benefits to society as whole and not just a few individuals. They must not enact one law for

building highways and schools, a second law to eliminate “blight and/or deterioration,” and a third law for economic development. After all, aren’t all three situations the same?

Questions

1. Should local and state government be allowed to use eminent domain for any reason? Explain your reasoning.
2. Should local and state governments be allowed to use eminent domain for economic development? Explain your reasoning.
3. When weighing the benefits of economic development, how can you measure the pain and suffering of the displaced property owners?
4. Of the four possible legislative solutions, which one do you favor? Why?

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UNIT – II

Unit Structure

Lesson 2.1 - Trade Area Analysis

Lesson 2.2 - Site Evaluation and Selection

Lesson 2.3 - Store Design and Store Layout Design

Lesson 2.4 - Space Planning and Location of Department

Lesson 2.1 - Trade Area Analysis

Learning Objectives

- Understand Trade Area Analysis;
- Identify the theories on Retail

Introduction

Trade area analysis is a methodology, process or technique that provides a basis for understanding, visualizing and quantifying the extent and characteristics of known or approximated trade areas.

It is important to define the market area of any potential location. You know that a retail market is any group of individuals who possess the ability, desire and willingness to buy retail goods or services. The residents of any neighborhood, city, region, country, or group of countries may constitute a retail market. The retail trade is defined as the geographic area within which the retail customers for a particular kind of store live or work. The customer profile of a segment of the people within the geographic area that the store decides to serve is the target market. For example, Jaxson's restaurant in the US serves the residents and office workers in the downtown and Westside areas of El Paso as well as visitors from across the border in MEXICO.

Trade area analysis provides the foundation for

- Understanding the geographic extent and characteristics of store patronage.
- Spatially assessing performance.
- Performing competitive analysis.
- Evaluating market penetration and market gap analysis.
- Target marketing.
- Merchandising.
- Identifying/quantifying effects of cannibalization.
- Developing and exploiting demographic profiles.
- Site suitability and site selection studies.

Geographic Information System (GIS) technology is a fundamental tool for analyzing retail trade areas today. This technology removes site selection “blindness” because it identifies and illustrates the crucial factors for site selection within a geographic framework.

Trade area analysis also employs theoretical techniques that are used to approximate the potential patronage area. These techniques are used in cases where customer level data is not available.

Choosing a retail site in the absence of sound trade area analysis is a just like flying an aeroplane with blinders: It forces a business to commit itself to a course in the absence of vital information such as store patronage, local market opportunities, competing businesses, and barriers that would dissuade consumers from visiting the site.

Size and Shape of Trading Area

A trade area is the geographic area that generates the majority of the customers for the store.

Primary trade area: Primary trading area covers between 50-80% of the store’s customers.

Secondary Trading Area: This area contains the additional 15- to 25% of the store’s customers.

Tertiary trading area: covers the balance customers

These trading areas are dependent on distance and do not always have to be concentric in nature



Source: www.InfoFan.zcom / Dr.Pooja Sharma

Defining the Trade Area

A trading area is a contiguous area from which a retailer gets customers for the merchandise he is selling. A trade area may be a town, city, district, state, and country or even beyond the country's boundaries. The trade area may be divided into few layers (zones) depending upon the size and operations of the store, its location, merchandise offered and services offered.

Since most of the retail sales especially in big cities take place at stores, the selection of the store location and analyzing trade area becomes essential. Retailers emphasize on trade area analysis because of the following reasons:

- a) A detailed analysis of trade area provides the retailer a picture about demographic and socio-cultural aspects of consumers. For a new store, the analysis of trade area becomes necessary to understand the prevailing opportunities and threats (if any) that may be a success path for new entrant.
- b) It helps in identifying the consumer demographics and socio-economic characteristics.
- c) It helps in assessing in advance the effects of trade area overlapping.

- d) It helps in highlighting geographic weaknesses. For example, trading area analysis reveals that people from trans-river hesitate to come to city shopping areas due to pick-pocketers and thieves in evening. Further, comprehensive study reveals the fact that this is because of improper lighting arrangements and absence of police personnel. Therefore, shopping center could exert political pressure to make the area well lit and crossing safer.
- e) It provides opportunity to understand and review the media coverage patterns.
- f) It helps in locating better site location by understanding the existing trade areas around the potential locations.
- g) It helps in understanding customers profile in terms of gender, age, income level, consumption pattern, standard of living, local requirements etc.

Issues Covered Under Trade Area Analysis

Trade area analysis is known as one of the most critical elements in retail strategic planning process. Selecting store location is a long term and non-repetitive decision that involves following issues:

- a) Mapping of existing customers with regard to the present stores.
- b) It covers calculating the estimate time taken by nearby customers to various existing stores.
- c) Determination of all possible variables that may have impact on your store and trading areas.
- d) To develop strategies to forecast trade areas around all possible available sites.
- e) To use the collected data to analyze market potential, developing customer service levels and ultimately making decisions about site location.

Factors Affecting Trade Area Analysis

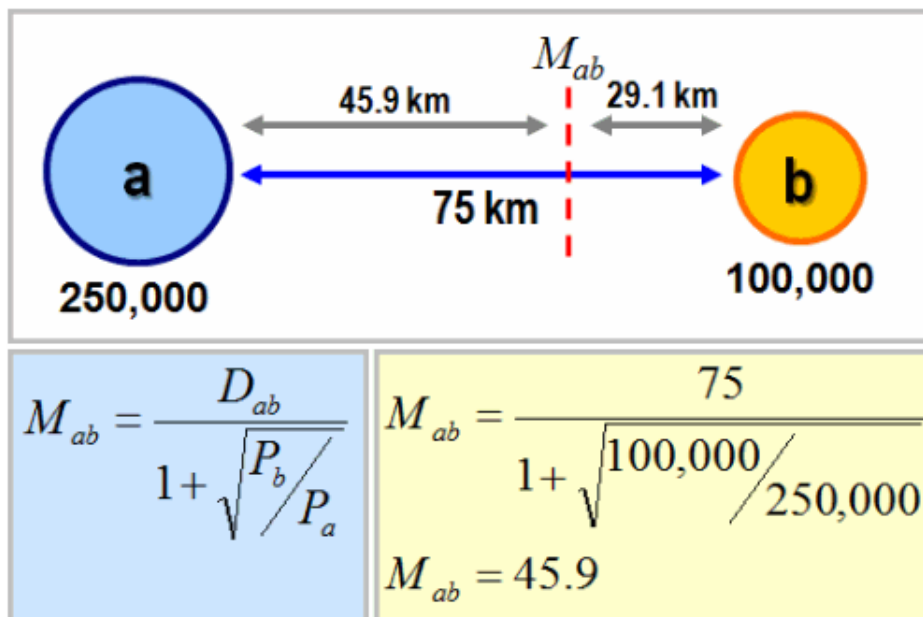
- (1) Entry or exit of a retail store will cause the trade area of nearby stores to change

- (ii) Trade area analysis is not only time exercise It is in setting up a new retail store. It plays a vital role for improving their sales and marketing performance
- (iii) Any change in product offering will have its impact on trade areas, population shift, competitors' existence and overall profitability of nearby stores

Theories on Retail

1. Reilly's Law of Retail Gravitation

Reilly's Law of Retail Gravitation or simply Reilly's Law was developed by William J. Reilly in the year 1931.



The purpose of Reilly's law of retail gravitation is to find a point of indifference between two locations, so the trading area of each can be determined. This point is assumed to be a function of the distance between two locations pondered by their respective size (population often used for this purpose). A location can thus be more attractive than the other. For instance, in the figure below, two locations are 75 km apart. According to the Hotelling principle, the point of indifference should be halfway in between (35 km). However, since location A has a larger population, it is assumed that it will draw more customers. Under such circumstances, the point of indifference is 45.9 km away from location A.

In 1931, William J. Reilly was inspired by the law of gravity to create an application of the gravity model to measure retail trade between two cities. His work and theory, The Law of Retail Gravitation, allows us to draw trade area boundaries around cities using the distance between the cities and the population of each city.

Reilly realized that the larger a city the larger a trade area it would have and thus it would draw from a larger hinterland around the city. Two cities of equal size have a trade area boundary midway between the two cities. When cities are of unequal size, the boundary lies closer to the smaller city, giving the larger city a larger trade area.

Reilly called the boundary between two trade areas the breaking point (BP). On that line, exactly half the population shops at either of the two cities.

$$BP = \frac{\text{distance between city a and b}}{1 + \sqrt{\frac{\text{pop. b}}{\text{pop. a}}}}$$

BP is distance from city a to breaking point

The formula is used between two cities to find the BP between the two. The distance between the two cities is divided by one plus the result of dividing the population of city b by the population of city a. The resulting BP is the distance from city A to the 50% boundary of the trade area.

One can determine the complete trade area of a city by determining the BP between multiple cities or centers.

2. Huff's Probability Model

The Huff Model is a special interaction model that calculates gravity-based probabilities of consumers at each origin location patronizing each store in the store dataset. From these probabilities, sales potential can be calculated for each origin location based on disposable income, population, or other variables. The probability values at each origin location can optionally be used to generate probability surfaces and market areas for each store in the study area. As a gravity model, the Huff

Model depends heavily on the calculation of distance. This tool can use two conceptualizations of distance - traditional Euclidean (straight-line) distance as well as travel time along a street network.

To account for differences in the attractiveness of a store relative to other stores, a measure of store utility such as sales volume, number of products in inventory, square footage of sales floor, store parcel size, or gross leasable area is used in conjunction with the distance measure. Potential store locations can also be input into the model to determine new sales potential as well as the probabilities of consumers patronizing the new store instead of other stores.

The Huff Model can be used

- To delineate probability-based markets for store locations in the study area\
- To model the economic impact of adding new competitive store locations
- To forecast areas of high and low sales potential, which can guide new store location placement or refined marketing or advertising initiatives

First, a gravity analogy is used to estimate attractiveness of store j for customers in area i .

A_{ij} = Attraction to store j for customers in area i

S_j = Size of the store (e.g. square feet)

T_{ij} = Travel time from area i to store j

λ = Parameter reflecting propensity to travel

$$A_j = \frac{S_j}{T_j^\lambda}$$

Second, to account for competitors we calculate the probability that customers from area i will visit a particular store j .

$$P_j = \frac{A_j}{\sum_{j=1}^n A_j}$$

Third, annual customer expenditures for item k at store j can now be calculated.

P_{ij} = Probability customers from area i travel to store j

C_i = Number of customers in area i (e.g. census tract)

B_{ik} = Annual budget for product k for customers in area i

m = Number of customer areas in the market region

$$E_{jk} = \sum_{j=1}^m (P_j C_i B_k)$$

Fourth, market share of product k purchased at store j can now be calculated by using the formula:

$$M_{jk} = \frac{E_{jk}}{\sum_{i=1}^m (C_i B_k)} B$$

3. Index of Retail Saturation Theory

The theory of retail saturation index is calculated to determine the saturation index of retail shopping district within a particular retail store types assumed potential demand per square meter of the potential demand.

Retail saturation index theory (The Index of Retail Saturation Theory) takes into account the saturation index to determine the specific assumptions of the retail stores within the districts per square meter of the type potential demand. This theory was developed in the Harvard Business School in the 80s of the 20th century.

The theory is essentially a region by calculating the size of retail saturation index to determine the number of retail outlets in the region and to determine the suitability of shop. The saturation index is compared by measurement of demand and supply retail stores within the district the degree of saturation. The interaction between demand and supply and the effect of creating market opportunities.

The formula of Retail Saturation Index Theory is:

$$IRS = \text{demand} / \text{store area} = (H \times RE) / RF$$

IRS: certain types of goods within a retail shopping district saturation index;

H: the number of households within the district;

RE: shopping district each families on certain types of goods expenditures;

RF: certain types of goods existing business area. Retailers must choose the area of the proposed comparative assessment of the level observed saturation index. In general, the saturation index is high, meaning that the retail potential, and means that the retail potential of the low saturation index small.

Identify Alternate Sites and Select the Site

After taking decision on the location and market potential the retailer has to select the site to locate the store based on the following parameters, such as

- Traffic Accessibility of the market is also a key factor
- The total number of stores and the type of store that exist in the area Amenities
- To buy or to lease
- The product mix to be offered by the retailer

Summary

Trade area analysis is a methodology, process or technique that provides a basis for understanding, visualizing and quantifying the extent and characteristics of known or approximated trade areas. A trade area is the geographic area that generates the majority of the customers for the store. Primary trading area covers between 50-80% of the store's customers, and secondary trading area contains the additional 15- to 25% of the store's customers.

Tertiary trading area covers the balance customers. A trading area is a contiguous area from which a retailer gets customers for the merchandise he is selling. A trade area may be a town, city, district, state, and country or even beyond the country's boundaries. The trade area may be divided into few layers (zones) depending upon the size and operations of the store, its location, merchandise offered and services offered. Selecting store location is a long term and non-repetitive decision that involves the issues-Mapping of existing customers with regard to the present stores, it covers calculating the estimate time taken by nearby customers to various existing stores, to determination all possible variables that may have impact on your store and trading areas, to develop strategies to forecast trade areas around all possible available sites, to use the collected data to analyze market potential, developing customer service levels and ultimately making decisions about site location.

Factors affecting trade Area Analysis are:

- (i) Entry or exit of a retail store will cause the trade area of nearby stores to change,
- (ii) Trade area analysis is not only time exercise it is in setting up a new retail store. It plays a vital role for improving their sales and marketing performance,
- (iii) Any change in product offering will have its impact on trade areas, population shift, competitors' existence and overall profitability of nearby stores.

Reilly's Law of Retail Gravitation or simply Reilly's Law was developed by William J. Reilly in the year 1931. The purpose of Reilly's law of retail gravitation is to find a point of indifference between two locations, so the trading area of each can be determined. The Huff Model is a special interaction model that calculates gravity-based probabilities of consumers at each origin location patronizing each store in the store dataset.

From these probabilities, sales potential can be calculated for each origin location based on disposable income, population, or other variables. The probability values at each origin location can optionally be used to generate probability surfaces and market areas for each store in the

study area. The theory of retail saturation index is calculated to determine the saturation index of retail shopping district within a particular retail store types assumed potential demand per square meter of the potential demand. Retail saturation index theory takes into account the saturation index to determine the specific assumptions of the retail stores within the district's per square meter of the type potential demand.

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Lesson 2.2 - Site Evaluation and Selection

Learning Objectives

- Understand Site Evaluation and Selection
- Examine the procedure for Selecting the Specific site

Introduction

Location decisions have great strategic importance because they have significant effects on store choice and will be difficult for competitors to duplicate. Picking good sites for locating stores is part science and part art. Some factors retailers consider when evaluating an area to locate stores are

- The economic conditions,
- competition,
- The strategic fit of the area's population with the retailer's target market, and
- The costs of operating stores.

Having selected an area to locate stores, the next decision is how many stores to operate in that area.

When making the decision about how many stores to open in an area, retailers have to consider the trade-offs between lower operating costs and potential cannibalization from multiple stores in an area. Most retail chains open multiple stores in an area because promotion and distribution economies of scale can be achieved. Although scale economies can be gained from opening multiple locations in an area, there also are diminishing returns associated with locating too many additional stores in an area due to cannibalization.

The next step for a retailer is to evaluate and select a specific site. In making this decision, retailers consider three factors:

- (1) The characteristic of the site,
- (2) The characteristics of the trading area for a store at the site, and
- (3) The estimated potential sales that can be generated by a store at the site.

Trade areas are typically divided into primary, secondary, and tertiary zones. The boundaries of a trade area are determined by how accessible it is to customers, the natural and physical barriers that exist in the area, the type of shopping area in which the store is located, the type of store, and the level of competition.

Estimating the Potential

Once retailers have the data that describe their trade areas, they use several analytical techniques to estimate demand. The Huff gravity model predicts the probability that a customer will choose a particular store in a trade area, based on the premise that customers are more likely to shop at a given store or shopping center if it is conveniently located and offers a large selection. Regression analysis is a statistically based model that estimates the effects of a variety of factors on existing store sales and uses that information to predict sales for a new site. The analog approach—one of the easiest to use—can be particularly useful for smaller retailers. Using the same logic as regression analysis, the retailer can make predictions about sales by a new store based on sales in stores in similar areas.

Finally, retailers need to negotiate the terms of a lease. These lease terms affect the cost of the location and may restrict retailing activities.

Thus, opening a retail store is an arduous task and requires meticulous planning and detailed knowledge.

Selecting the Specific Site

One must evaluate the development potential of specific sites. The following factors will help one decide whether a particular site is viable for one's development

- Site conditions - Slope, topography, and environmental conditions

- Physical constraints of site - Utilities, easements, and any existing structures that might need to be demolished.
- Accessibility and visibility - Roads serving the site, traffic count, proximity to public transportation routes and major intersections, and site's orientation,
- Availability of contiguous parcels of land
- Size and shape of unit plots - Length and depth of unit plots: developers often want deep parcels
- Location and neighborhood - What is the context of your site? Is it near amenities, institutional uses? Will the proposed development and uses fit in your neighborhood?
- Zoning- specified use and requirements such as parking, building height, lot coverage and set-backs

While deciding upon a particular site, the retailer should make sure that

1. The site is physically available for sale/lease/rent etc. and
2. The conditions require to secure the site are free from regulatory hassles.

The conditions with regard to lease/rental/owning should be studied from all business angles. Supposing retailer decides not to own the property but to secure on the basis of entails then following issues must be compared and analyzed being a strategic and non- repetitive decision:

I. For how many years the landlord is agreed upon giving land on lease basis?

1. What will be monthly/quarterly rent?
2. When it will be due?
3. Is there any advance payment? If yes how much? When to deposit?

II. What are the taxes that will be applicable and when?

The primary objective of site availability exercise is to see that new store is established at an attractive and best possible location. It means selected site is not only preferable from traffic flow point of view but

from cost, taxes and their liabilities point of view. In metro cities business incubators have come up that provide space to new retail sites (organized/unorganized) or to retailers who want to start their own trading business. These incubators serve fledgling services by providing vacant space along with management expertise, legal assistance, and clerical assistance on reasonable prices. An incubator renter (retailer) can start his business the same day he enters in, without having electricity, phone, copier, generator, canteen facilities. The objective is to make certain that new business hatch, prosper and leave the incubator.

Getting 'best' site is not an easy task for any retailer. All retailers are not fortunate enough to have such 'best' site. The reason is demand and supply differences. The demand for site is increasing from all spheres of businesses but space is limited. Further, the costs to secure a new site may be unaffordable or prohibitive (when it exceeds the retailer's budget).

Supposing that 'best' site is available, the retailer must decide to purchase or lease. Knowing that purchasing a site and having ownership not only saves several fixed expenses but confers greater freedom, it is always recommended that new retailers must go for lease option because of following reasons:

1. Retailer's financial risk is avoided by substantial investment and by delaying obligations for space until the triumph of store is assured.
2. Leasing avoids hefty cash out flow, which usually each retailer would like to avoid in the beginning of business.

Common Errors While Selecting a Site

Some of the common errors are:

- (i) Personal factors like preferences, emotional attachment, prejudices, liking and disliking of entrepreneurs sometimes result in poor location selection.
- (ii) Sometimes, due to political reasons, public stores are set up in backward areas.
- (iii) Unwillingness of key executives to move from existing location to a far better new location only because of distance matter.

- (iv) Preference to residential or suburban area which already after sometime gets converted into congested and overcrowded area.
- (v) Selection without thorough investigation.

Summary

After taking decision on the location and market potential the retailer has to select the site to locate the store based on the following parameters, such as traffic accessibility of the market is also a key factor, the total number of stores and the type of store that exist in the area amenities, to buy or to lease. Some factors retailers consider when evaluating an area to locate stores are the economic conditions, competition, the strategic fit of the area's population with the retailer's target market, and the costs of operating stores.

Having selected an area to locate stores, the next decision is how many stores to operate in that area. Once retailers have the data that describe their trade areas, they use several analytical techniques to estimate demand. While deciding upon a particular site, the retailer should make sure that the site is physically available for sale/lease/rent etc. the conditions require to secure the site are free from regulatory hassles.

Lesson 2.3 - Store Design and Store Layout Design

Learning Objectives

- Understand the store design
- Examine Store Layout Design
- Identify the objectives of a good store design.

Introduction

Store design is the architectural character or decorative style of a store that conveys to the customer “what the store is all about.” Stores vary so much in kind, size, and geographical location that it is difficult to generalize about design. The architecture of the store’s exterior creates an initial impression. For example, if a retailer chooses to remodel an older Victorian home, the customer will get a different impression from that of a store in the mall. The remainder of the 1990s will likely see design continue to be less concerned with aesthetics and more concerned with establishing an identity and marketing a store image. Key issues like the 1990 Americans with Disabilities Act and state/local ordinances will continue to affect retail design, as our population ages and becomes more diverse. Because of continued pressure on costs, newer designs reflect a closer attention to all details including store size. The drive to reduce inventory levels has forced a move to smaller stores, because a large store with less merchandise looks as though it is going out of business. The stores showing an increase in store size are those attempting to diversify and broaden merchandise lines. Higher rents, building costs, and the more localized stores because of the customer’s desire for convenience hurt larger, stand-alone and regional mall stores. Let us look at the planning process.

General Requirements in Store Design

The first step of store design is the development of a comprehensive plan for the overall requirements of the store. Based on market potential (the sales estimate and dollars received per square foot of selling area),

plans can be made to meet the need for storage and selling space. The plan must specify the ways to achieve the best traffic circulation possible throughout the store and the types and sizes of fixtures necessary to display the merchandise in an appealing manner. A careful study of these factors helps make stores attractive, conducive to shopping, and as operationally efficient as possible. Comprehensive planning requires developing a customer –bases holistic focus for the design and layout of the store and for the desired store image. Only after this customer focus is defined should a comprehensive plan be developed for both the exterior and interior of the store that matches the desired store image.

1. Customer Focus

The focus of a store design should always be the customer. If the store design and layout are appealing, the customer will also form an appealing image. It is easy to get into the technical aspects of store design and forget that the retailer's reason for existence is the customer. The design should be focused on forming and maintaining an image, while at the same time making the layout as accessible as possible for shoppers. Research should determine the needs, habits, and buying potential of the shoppers in the area and the need for store service and overall general customer comfort. Management must then determine the overall image that would best differentiate the store and attract the target market.

2. Store Image

A comprehensive plan would include a process for community obtaining customer feedback regarding improvements and for continuously updating the design to reflect changing customer needs and wants. A store design serves two, often opposing, functions. First, and foremost, the design serves the functional purposes of protecting, enclosing, and displaying merchandise, while at the same time serving as a central location where customers can find the merchandise that they seek during convenient times. The second purpose relates to the symbolic needs of the customer. This includes the social aspects of shopping or owning a particular good from a particular store. The symbolic aspects of the store are anything that contributes to the overall store image. This may include environmental aspects, such as store atmosphere, or physical aspects, such as brand name products.

When customers enter a store, they want the displays and departments to tell them all about the store. The image the store is attempting to project should be immediately obvious to potential customers. If the store wants price as the predominant image, departments emphasizing this aspect should be placed near the entrance. Managers should give the best space to the departments that say to the customer, "This is what I am".

3. Holistic Approach

A store's design should match the store's character. This means that consideration should be given to the type of store image the merchant hopes to project. It includes exterior design and interior arrangements for selling and nonselling activities. In addition, the design should match with that of other stores around it; it should also enhance the salability of the merchandise within the store and be in good taste. The store design should have a single theme or image throughout. Attempts to create several images often lead to greater competition. This is because the retailer is no longer competing against stores within a single image category, but instead with stores in several categories.

4. Technology and Planning

Store designs are becoming more complex as new formats evolve. For this and efficiency reasons, it is becoming more common to rely on technology to assist in developing a store layout design. Computer-aided design (CAD) helps plan stores that are more space-efficient. Planning can be done quickly and changes are easy to make. New construction design for a 200,00-square-foot design software and hardware.

In the store itself, new combinations of interactive and multimedia technologies will change the way retailers design for direct customer contact and information assistance. For example, a self-service concept store may be developed where kiosks replace sales associates, providing product information and updates on availability of merchandise.

Retailers will likewise be exploring creative linkages between participation in electronic home shopping channels and in-store selling. By interactive technologies, consumers will be able to view merchandise

choices at home, make product selections, and conclude the purchase transaction. They will be able to choose whether to wait and receive their purchases through transportation carriers or to proceed directly to the retailer's store or depot where the merchandise will be ready for pickup.

Objectives of a Good Store Design

Some objectives for a store design are to

- (1) Implement the retailer's strategy,
- (2) Influence customer buying behavior,
- (3) Provide flexibility,
- (4) Control design and maintenance costs, and
- (5) Meet legal requirements.

Typically, a store design can not achieve all of these objectives, so managers make trade-offs among objectives, such as providing convenience versus encouraging exploration.



Elements of store design

Source: www.InfoFan.zcom / Dr.Pooja Sharma

Store Design should

- Be consistent with image and strategy
- Positively influence consumer behaviour
- Consider costs versus value
- Be flexible
- Recognize the needs of the disabled

Creating a Store Image

Store Image serves a critical role in the store selection process

- Important criteria include cleanliness, labeled prices, accurate and pleasant checkout clerks, and well-stocked shelves
- The store itself makes the most significant and last impression

In sum, once the prospective customers are inside the store, they should be converted into customers buying merchandise.

- The more merchandise customers are exposed to that is presented in an orderly manner, the more they tend to buy
- Retailers should focus more attention on in-store marketing 'expense' spent in the store, in the form of store design, merchandise presentation, visual displays, and in-store promotions, should lead to greater sales and profits (because it is easier to get a consumer in your store to buy more merchandise than planned than to get a new consumer to come into your store).

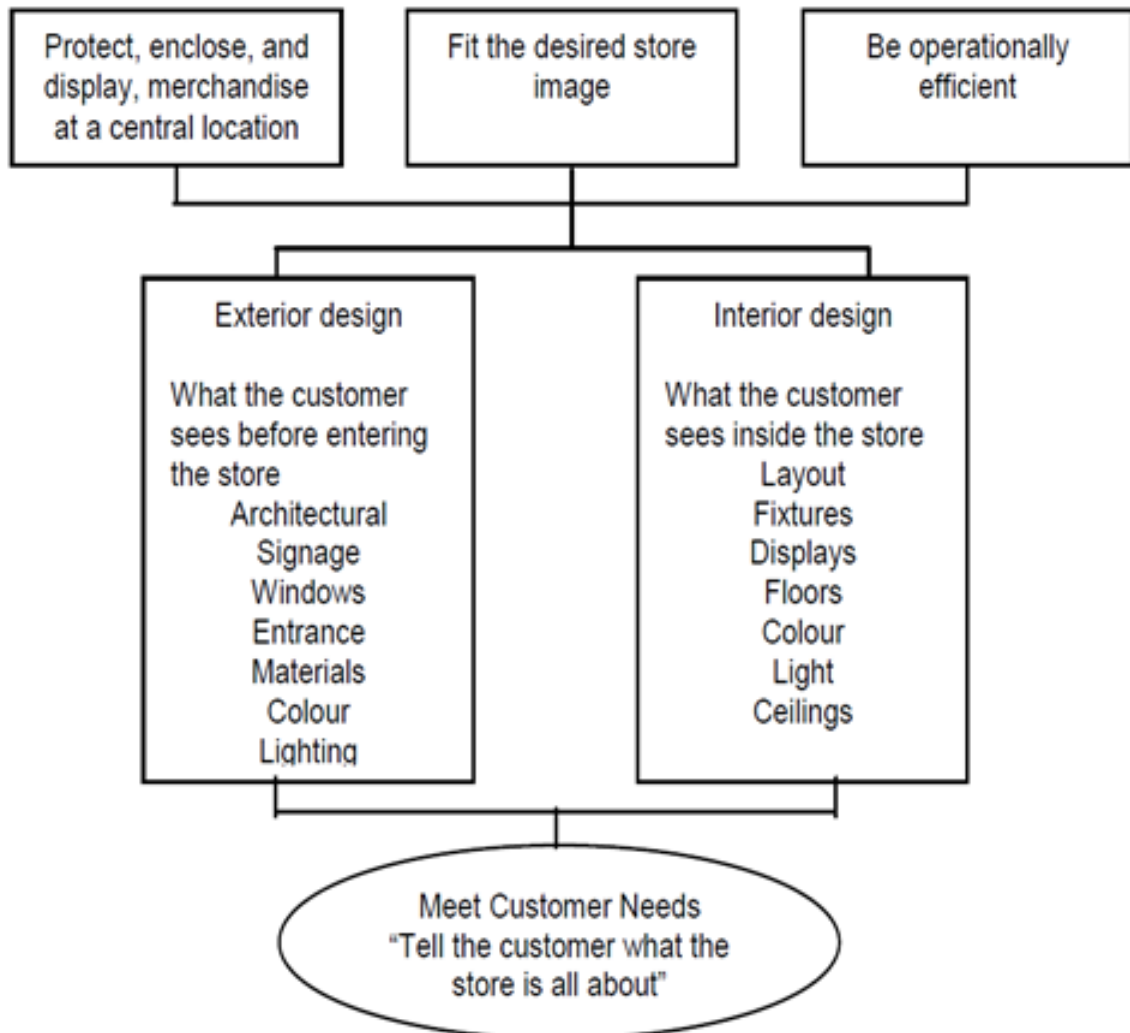
Creating a Buying Environment

Creating a buying Environment means designing an environment through:

- Visual communications
- Lighting
- Colour
- Sound
- Scent

To stimulate customers' perceptual and emotional responses and ultimately influence their purchase behaviour.

Store Exteriors and Interiors Design



Store Exteriors

The store exterior is often called the storefront, and it includes the store sign, display windows, entrances, outdoor lighting, landscaping, and the building itself.

The design of a business's exterior is often part of the place decision. The location often influences a store's image.

The store sign is a major element of a store exterior. Many businesses develop a unique way of writing the company name, often with

design elements. The display windows show a selection of merchandise available in the store. Store exterior comprises the following:

- Location
- Parking
- Ease of access
- The building architecture
- Health and safety standards
- Store windows, lighting



Store Interiors

A store interior is usually divided into two sections: the selling area and the sales support area. The selling area is where the merchandise is presented to the customer. Selling area includes shelves, racks holding merchandise, displays, cash registers, etc.

The sales support area contains amenities for customers, such as restrooms, lounges, and cafes. It also includes staff areas and space for merchandise receiving and storage. Store interior includes the following:

- Fixtures
- Flooring & Ceilings
- Lighting
- Graphics & Signages
- Atmospheric

-
- This image displays a variety of wrought-iron furniture and decorative objects. The items include:
- A large, ornate three-tiered shelving unit with decorative scrollwork and a central finial.
 - A long, narrow horizontal shelf with decorative end brackets.
 - A tall, slender stand with a circular top and a decorative base.
 - A decorative iron finial or lamp base with a circular top and a slender stem.
 - A mannequin torso mounted on a stand with a decorative base.
 - A tall, slender stand with multiple horizontal shelves and a decorative base.
 - A small, decorative iron object, possibly a lamp base or a small shelf.
 - A decorative iron finial or lamp base with a circular top and a slender stem.
 - A large, rectangular desk or table with a decorative top and ornate, tapered legs.
 - A decorative iron finial or lamp base with a circular top and a slender stem.
 - A decorative iron finial or lamp base with a circular top and a slender stem.
 - A decorative iron finial or lamp base with a circular top and a slender stem.
 - A decorative iron finial or lamp base with a circular top and a slender stem.
 - A decorative iron finial or lamp base with a circular top and a slender stem.

- c) Four way fixture: Which is also known as feature fixture has two crossbars that sit perpendicular to each other on a pedestal.
 - d) Gondolas: These are extensively used in grocery and discount stores.
- 2) **Displays:** an attractive and a creative display create interest and can help to sell the merchandise.



To ensure the effectiveness of the displays the following factors are to be considered:

- a) Balance: In building a display, it is important to make sure that it is in balance. This is achieved by arranging the products in a systematic manner. Formal balance is achieved by arranging the similar items at equal distance from the center. Informal balance is achieved by placing different size goods or objectives away from the center based on their relative size.
- b) Dominance: All displays should have a central point that will attract the viewer's eye. Ex: Display of titan watches.
- c) Eye movement: Displays should direct the eyes away from the point of dominance in a systematic fashion, instead of encouraging them to jump from one end to the other.
- d) Gradation: The gradation is the sequence in which items are arranged. For example small items are placed in the front row, medium in next and bigger items at the back rows. This creates a sequential display with appealing illusion.
- e) Height of merchandise: Merchandise that has the greatest effect should be placed at the eye level to catch the interest of the customer.

- f) Grouping the merchandise: Instead of opting for long display of merchandise, retailers should opt for grouping of merchandise which facilitates the customers and also the store's personnels. It facilitates so that the customers eyes cannot travel from group to group but stop and focus on particular product
 - g) Sales appeal: Display should always show best merchandise that the retailer has to offer. Best way to generate sales appeal is to choose the most important feature of the merchandise and focus on it.
 - h) Keep it simple: Since displays takes up the great deal of most valuable space of the store, retailer has to get best returns out of it. Too many items in a display district confuse the consumer and tend to create an atmosphere of chaos or congestion, so the display should be selective and simple.
- 3) **Colour:** The psychological effect of colour is important to the retailer. Intelligent use of colour is important in store design. Since people draw to warm colours, yellow, red etc can be used at the entrance to draw the customers into the stores, whereas the cool colours like blue and green tend to calm atmosphere and facilitate the smooth flow of customers in the store.
- 4) **Lighting:** Today lighting has become a display medium. It is an integral part of store design in store exterior and store interiors. Lighting should match with the retailer's attempt to create a bright store image.



- 5) **Ceiling:** Ceiling represents a potentially important element in the interior design. Higher the ceiling, more the space to heat and cool, at increasing energy rates. Designers are making use of varied ceiling drops to create distinction for different departments within the stores.
- 6) **Flooring:** Flooring choices are important because the covering can be used to separate departments, muffle noise in high traffic areas and strengthen the store image. Now days we see the advertisements of the products using the floor space within big malls.
- 7) **Shelving:** The material used for shelving should promote the merchandise strategy and enhance the image of the products displayed.
- 8) **Plano gram and shelf Layout design:** This is a graphical representation that visually shows the space to be allocated by describing where every stock keeping unit (SKU) within a space physically located. The Plano gram produces a map for the length, height and depth of shelves with the number and location of the Stock Keeping Unit.
- 9) **Other considerations:** Level of music (sound) played in store, scent in the stores etc too create a unique image of the store. The level of maintenance and cleanliness also has its effect on the store image.

Store Layout Design

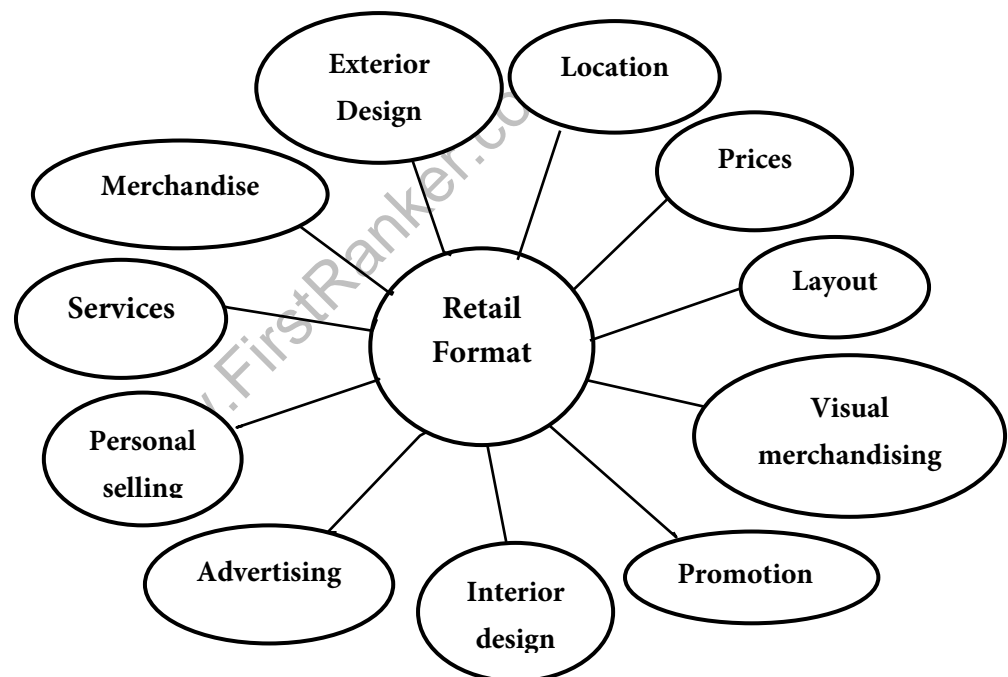
The basic elements in a design that guide customers through the store are the layout, signage, and feature areas. A good store layout helps customers find and purchase merchandise. Several types of layouts commonly used by retailers are the grid, race track, and free-form. The grid design is best for stores in which customers are expected to explore the entire store, such as grocery stores and drugstores. Racetrack designs are more common in large upscale stores like department stores. Free-form designs are usually found in small specialty stores and within large stores' departments.

Signage and graphics help customers locate specific products and departments, provide product information, and suggest items or special

purchases. In addition, graphics, such as photo panels, can enhance the store environment and the store's image. Digital signage has several advantages over traditional printed signage, but the initial fixed costs have made the adoption of this technology slow. Feature areas are areas within a store designed to get the customer's attention. They include freestanding displays, end caps, promotional aisles or areas, windows, cash wraps or point-of-sale areas, and walls.

Interior Store Design and Layout

The interior design of the store determines the way the merchandise is stored and offered for sale. The design should allow easy access to merchandise for customer. Several layout patterns enhance the customer's access to goods. The interior also projects an image to the shopper that should be consistent with that conveyed by the store's promotion, price, and merchandise and with the exterior design. The store interior must make the customer comfortable and encourage shopping.



Interior Design Elements

1) Fixtures

A major consideration in developing an appropriate store design involves the use of fixtures. They are used to display merchandise, to help

sell it, to guard it, and to provide a storage space for it. They should be attractive and focus customer's attention and interest on the merchandise. One way to bring the cost of fixtures down is standardization.



Customisation is expensive, and construction budgets today allow this luxury only where speciality departments can justify the cost. Some stores are trying to keep a lid on fixture costs with walls that do not reach the ceiling but instead begin two feet down. Besides being cheaper and faster to put up, they do not affect sprinklers, lighting, heating ventilation and air conditioning (HVAC), and other ceiling ducts. Most stores are moving toward smaller and less dense fixtures than what they previously used, which is another way to control costs. However, even more significantly, the trend reflects the reduction in many stores' inventory levels. Glass cubes that once consisted of sixteen inch and eighteen-inch high bins may now be housed in twelve-inch bins. This way, although there are fewer items in each unit, it still looks full. Another trend is a renewed demand for wood and glass, which in recent years were demand for wood and glass, which in recent years were over shadowed by the more affordable clear plastic.

2. Displays

Display an important role in a retail store. An attractive and informative display can help sell goods. Poorly designed displays can ruin the store's atmosphere and centre an uncomfortable setting. Since displays

often take up premium space within the store, they carry a heavy burden of productivity in terms of creating sales. There are several principle rules of display that help ensure their effectiveness:

- a) They should achieve balance,
- b) Provide a dominant point,
- c) Create eye movement
- d) Low gradation,
- c) Just merchandise to proper height,
- d) Group the merchandise in the display,
- e) Generate sales appeal,
- f) Keep merchandise in proper order, and
- g) Display names of products and store name.
- h) Displays should also be simple and not chaotic or congested.



a) Balance

In building a display, it is important to make sure that it appears balanced to the viewer. This is achieved by arranging products in a symmetric manner. Displays may have formal or informal balance. Formal balance is achieved by placing similar items equal distance from the center. Informal balance is achieved by placing different sized goods or objects away from the center based on their relative size.

b) Dominance

All displays should have a central point that will attract the viewer's eye. The point may be achieved by using prominent piece of merchandise, such as a diamond pendant, using dramatic colours, such as a bright scarf, or using streamers arranged toward the center of the display.

c) Eye Movement

Displays should direct the eyes away from the point of dominance in a systematic fashion, instead of encouraging them to jump from one end to the other. If the viewer's eyes move indiscriminately around the display, the shopper will miss some of the merchandise and will not get the full message intended.

d) Gradation

The gradation is the sequence in which items are arranged. For example, small items are usually placed at the front of the display, medium items father back, and large items at the rear. It creates harmony and an appealing illusion.

e) Height of Merchandise

Merchandise that has the greatest effect should be placed at the eye level of the customer. Because viewers tend to look straight ahead, merchandise placed at eyes level is most likely to be seen.

f) Grouping Merchandise

Too many retailers place one item after another in a long row. Shoe stores, jewellery stores, and mass merchandisers tend to do this. Stores with large amounts of one item or with one line of goods are likely to build longer displays. Instead of creating long displays where the customer has problems picking out merchandise, retailers should group items so that the customer's eyes cannot travel from group to group but stop and focus on particular products.

g) Sales Appeal

Displays should always show the best merchandise that the retailer has to offer. As discussed above, displays take up some of the most valuable space in the store. Using show-moving items for display is a waste. One way to generate sales appeal is to choose the most important feature of the merchandise being displayed and focus on it. Another way is create a theme that already exists within the customer's mind, such as Valentine's Day, Christmas, or back to school. Customers relate best when they can grasp the total picture.

h) Keeping it Simple

Since displays take up a great deal valuable space, there is a tendency to get as much into them as possible. While the idea of more is better may be true for chocolate, it is not true for displays. Too many items in a display district and confuse the consumer, and they tend to create an atmosphere of chaos or congestion.

3) Colour

The psychological effect of colour continues to be important to retailers. Colour is also important in warehouse type stores because of the vast open area of the interior. Bold colours are frequently used to highlight merchandise sections or departments and to reduce attention to what is typically an open –girder ceiling. Clearly, intelligent use of colour is important in store design. Since people are drawn to warm colours, yellow and red can help draw customers into the store through the entrance. Cool colours such as blues and greens tend to calm people and are useful in areas where customers need time to deliberate over the purchase decision.

4) Lighting

Proper lighting is one of the most important considerations in retail design. At one point in time, the function of lighting was to provide customers with a means of finding their way through the store. Today, lighting has become a display medium. It is an integral part of the store's interior and exterior design. Lighting should match the

mood retailer is attempting to create with the rest of the store décor and should complement, rather than detract from, the merchandise. General illumination is needed throughout the store. However, most stores need additional localized lighting to highlight special displays and showcases, help bring out colours, and relieve the monotony of even, overall light. Too much or too little lighting, or even the wrong type of lighting, can create false impressions about the merchandise on display. Incandescent lighting used alone, for example, accents yellow and red. Fluorescent lights frequently build up blues and purple. Therefore, retailers must use a lighting combination that gives a correct impression of the merchandise while de-emphasising the source of the light itself.

5) Ceilings

Ceilings represent a potentially important element interior design. In older stores, ceilings of twelve to sixteen feet are still common, but most department store ceilings are now in the nine – to- ten-foot range. Remember, the higher the ceiling, the more space to heat and cool at increasing energy rates. Ceiling heights are becoming much less standardized within stores. Designers are making use of varied ceiling drops to create distinct for different departments within a store.

6) Flooring

Retailers are taking a sophisticated “return investment” approach to flooring decisions. Firms are willing to pay higher-up-front installation costs for materials that are more expensive if they see a return in greater durability and reduced maintenance expenses. Flooring choices are important because the coverings can be used to separate departments, muffle noise in high – traffic areas, and strengthen the store image. The range of choices for floor coverings is endless: Carpeting, wood, terrazzo, quarry tile, and vinyl composition all have applications in different settings.

7) Shelving

The material used for shelving as well as its design must be compatible with the merchandising strategy and the overall image desired. Stainless steel shelving creates an entirely different effect than the painted wood cubes in the Country Seat or the typical metal shelving seen in a

general merchandise store, Glass shelving, framed in the woods, creates an element of elegance difficult to achieve otherwise. General shelving considerations and merchandise display are discussed in the next selection.

8) Plano grams and Shelf Layout Design

One of the key tools of modern shelf and layout planning is the Plano gram. This graphical representation visually shows the space to be allocated by describing where every stock keeping unit (SKU) within a space is physically located. As you will see in Chapter 10, every product has its own SKU. The Plano gram produces a map for the length, height, and depth of shelves with the number and location of the SKU.

9) Other Considerations

Other considerations can round out the image and atmosphere created by the interior design elements. For example, the type and sound level of music can be focused on a given market segment. Scents can be used to help identify with a market group or create a feeling about being in the store. The level of maintenance and cleanliness also sets a tone.

Space Management Involves Two Decisions

1. The allocation of store space to merchandise categories and brands
2. The location of departments or merchandise categories in the store.

Some factors that retailers consider when deciding how much floor or shelf space to allocate to merchandise categories and brands are:

- (1) The productivity of the allocated space,
- (2) The merchandise's inventory turnover,
- (3) Impact on store sales, and
- (4) The display needs for the merchandise.

When evaluating the productivity of retail space, retailers generally use sales per square foot or sales per linear foot.

The location of merchandise categories also plays a role in how customers navigate through the store. By strategically placing impulse

and demand/destination merchandise throughout the store, retailers can increase the chances that customers will shop the entire store and that their attention will be focused on the merchandise that the retailer is most interested in selling. In locating merchandise categories, retailers need to consider typical consumer shopping patterns.

Retailers utilize various forms of atmospherics—lighting, colors, music, and scent—to influence shopping behavior. The use of these atmospherics can create a calming environment for task-oriented shoppers or an exciting environment for recreational shoppers.

Although a retailer's Web site is different than its physical store, in many but not all cases, good design principles that apply to a physical store space can also be applied to a Web site.

Store Layout Design Guidelines

Store layout is a plan that shows how the space in the store will be used. In this connection the placement of the following items will have a major effect on store image

- The signage displaying the name and logo of the store must be installed at a place where it is visible to all, even from a distance. Too much information should be avoided.
- The store must offer a positive ambience to the customers. The customers must leave the store with a smile.
- Make sure the mannequins are according to the target market and display the latest trends. The clothes should look fitted on the dummies without using unnecessary pins. The position of the dummies must be changed from time to time to avoid monotony.
- The trial rooms should have mirrors and must be kept clean. Do not dump unnecessary boxes or hangers in the dressing room.
- The retailer must choose the right colour for the walls to set the mood of the customers. Prefer light and subtle shades.
- The fixtures or furniture should not act as an object of obstacle. Unnecessary furniture should be avoided at the store.

Notes

- The merchandise should be well arranged and organized on the racks assigned for them. The shelves must carry necessary labels for the customers to easily locate the products they need. Make sure the products do not fall off the shelves.
- Music at the store should not be loud, rather it should be soothing.
- The store should be adequately lit so that the products are easily visible to the customers. Replace burned out lights immediately.
- The floor tiles, ceilings, carpet and the racks should be kept clean and stain free.
- There should be no bad odour at the store as it irritates the customers.
- Do not stock anything at the entrance or exit of the store to block the way of the customers. The customers should be able to move freely in the store.
- The retailer must plan his store in the following way which minimises theft or shop lifting:
 1. Merchandise should never be displayed at the entrance or exit of the store.
 2. Expensive products like watches, jewellery, precious stones, mobile handsets and so on must be kept in locked cabinets.
 3. Install cameras, CCTVs to have a closed look on the customers.
 4. Instruct the store manager or the sales representatives to try and assist all the customers who come for shopping.
 5. Ask the customers to deposit their carry bags at the entrance itself.
 6. Do not allow the customers to carry more than three dresses at one time to the trial room.

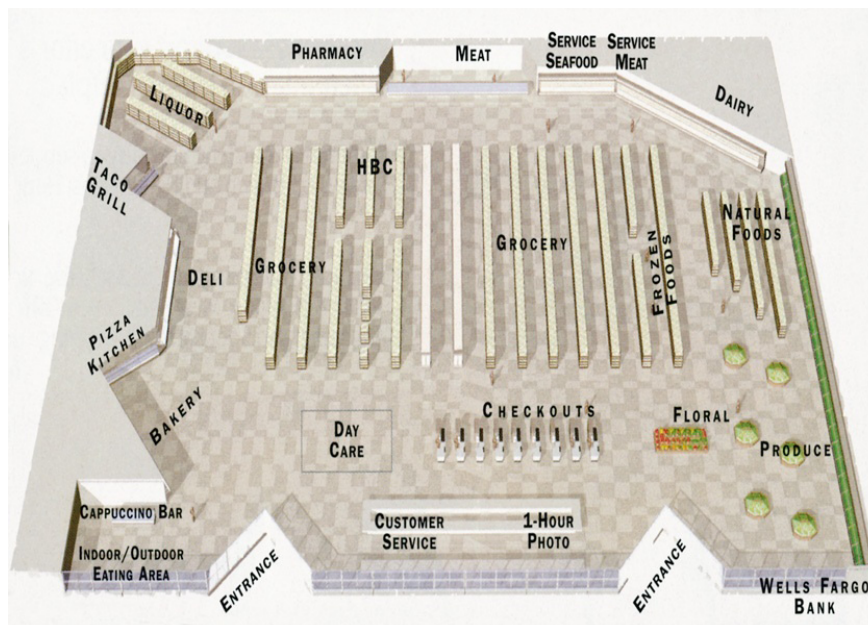
Types of Store Layout Design

Store layout refers to the interior retail store arrangement of departments or groupings of merchandise. It involves decision about allocation of floor space, product groupings and nature of traffic Flow. Nature of traffic flow can take the form of straight or Grid traffic flow, Free-form flow (curving) or racetrack flow. Some retailers also operate a storied layout to meet their specific requirements.

Grid (Straight) Design

Grid design is commonly used by conventional grocery stores as it facilitates planned shopping behavior since customers can easily locate products on their shopping list. Grocery and drugs stores owners or managers commonly employ the grid layout. Grid design is considered cost efficient by retailers in terms of space utilization, besides aisles of same width and design permit easy movement of shoppers and carts.

- Best used in retail environments in which majority of customers shop the entire store
- Can be confusing and frustrating because it is difficult to see over the fixtures to other merchandise
- Should be employed carefully; forcing customers to back of large store may frustrate and cause them to look elsewhere
- Most familiar examples for supermarkets and drugstores



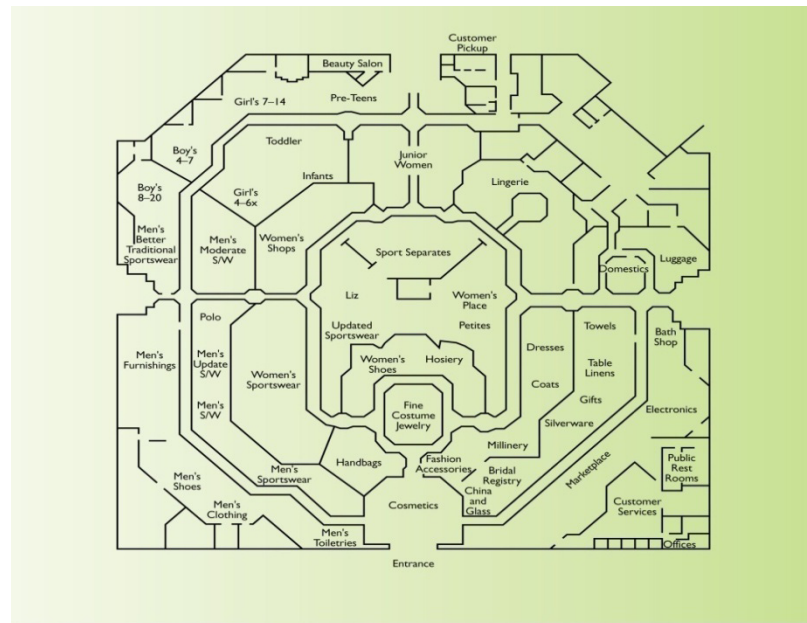
Source: www.radford.edu

Racetrack (Loop) Design

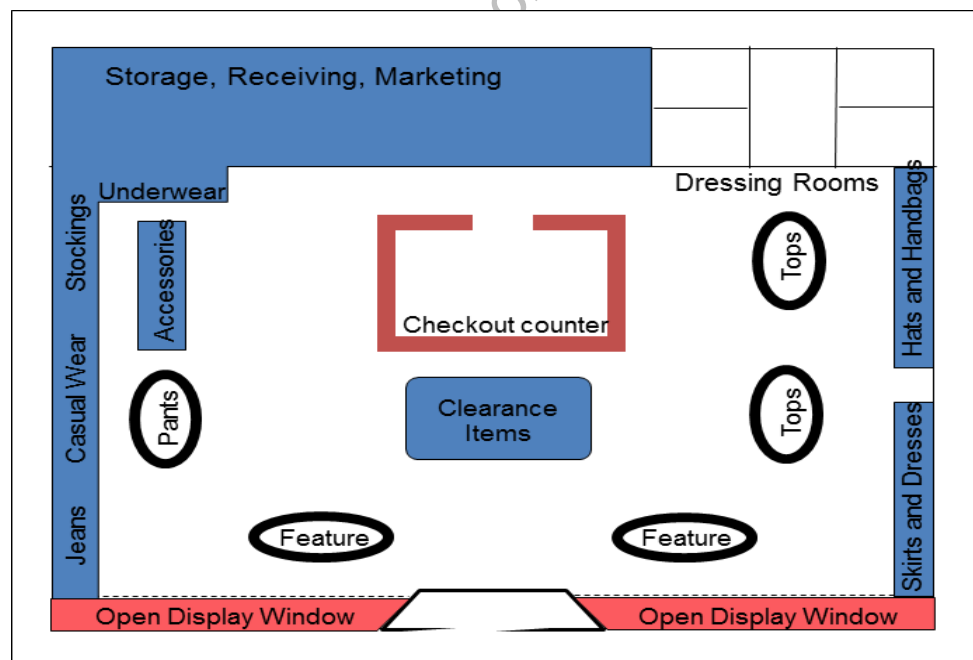
Racetrack design offers an unusual, interesting and entertaining shopping experience while it increases impulse and promotional purchases. Customers visiting shops with this particular layout are required to navigate through specific paths and therefore to visit as many

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store sections or departments as possible. They are therefore exposed to a great number of products and promotional material. They exposes shoppers to the greatest possible amount of merchandise by encouraging browsing and cross-shopping



Source: www.radford.edu



Source: www.radford.edu)

- Fixtures and merchandise grouped into free-flowing patterns on the sales floor no defined traffic pattern

- Works best in small stores (under 5,000 square feet) in which customers wish to browse
- Works best when merchandise is of the same type, such as fashion apparel
- If there is a great variety of merchandise, fails to provide cues as to where one department stops and another starts

Summary

Some objectives for a store design are implement the retailer's strategy, influence customer buying behavior, provide flexibility, control design and maintenance costs, and meet legal requirements. Typically, a store design can not achieve all of these objectives, so managers make trade-offs among objectives, such as providing convenience versus encouraging exploration. Store Image serves a critical role in the store selection process important criteria include cleanliness, labeled prices, accurate and pleasant checkout clerks, and well-stocked shelves, the store itself makes the most significant and last impression.

Creating a buying Environment means designing an environment through visual communications, lighting, colour, sound. Scent to stimulate customers' perceptual and emotional responses and ultimately influence their purchase behaviour. A store interior is usually divided into two sections: the selling area and the sales support area. The selling area is where the merchandise is presented to the customer. Selling area includes shelves, racks holding merchandise, displays, cash registers, etc. Store interior includes the, fixtures, flooring & ceilings, lighting, graphics & signages, and atmospherics.

Store design is the architectural character or decorative style of a store that conveys to the customer "what the store is all about". The first step of store design is the development of a comprehensive plan for the overall requirements of the store.

Based on market potential (the sales estimate and dollars received per square foot of selling area), plans can be made to meet the need for storage and selling space. The plan must specify the ways to achieve the best traffic circulation possible throughout the store and the types and sizes

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of fixtures necessary to display the merchandise in an appealing manner. A careful study of these factors helps make stores attractive, conducive to shopping, and as operationally efficient as possible. The basic elements in a design that guide customers through the store are the layout, signage, and feature areas.

www.FirstRanker.com

Lesson 2.4 - Space Planning and Location of Department

Learning Objectives

- Understand the nature of space planning.
- Examine Effective Retail Space Management

Introduction

For the retailer space is money. The store has to be planned in such a way that it optimizes the selling area and minimizes the non-selling parts.

The selling area is used to present the merchandise and the non-selling part is accounted for by circulation space, aisles, staircases, lifts, facilities, the back area, etc. The area mix in a typical department store is: selling area about 60%, circulation area 15% and back area 25%.

If the store has any extra area, it is given to concessionaires to complement the store offering mix and to de-risk space. Examples are Planet M in Shoppers Stop, Planet Sports in Pyramid and Qwikys in Lifestyle.

In a garment retail store, planning the size of the selling space starts with a wardrobe audit where a sample size of the customer segment is intercepted and their wardrobe mix of garments and accessories mapped. This then determines the number of styles and the range width of the category. Then a business plan is made based on this integration with space.

The selling space is then configured in terms of size and location of goods based on the mix of staple, convenience and impulse merchandise.

Staple goods are the core USP of the store. These constitute about 55% of the store offering and are kept at the central and deeper ends of the

store. This enhances visibility, since the customer has to pass through the entire store to reach them. The shirts and trousers section in department stores form the staple merchandise. Similarly, grains and sugar are the staples in a supermarket.

Convenience goods are no-fuss basic merchandise that constitute about 30% of the store and are bought in multiple units. These need to be in convenient locations in the store to ensure conversions. Undergarments and white basic cotton T-shirts in a department store are convenience merchandise.

Impulse purchase merchandise — which usually constitutes about 15% of the store and has the highest rate of sale — is given maximum exposure in order to tempt the customer into buying them. Candies in a supermarket and socks and hair accessories in a fashion store are impulse purchase items and are kept near the cash counters and entrances/exits. The customer picks them up after shopping for convenience and staple merchandise. The locations of various goods are chosen carefully to ensure that the customer is exposed to the entire store, thus increasing the possibility of a purchase.

Talking about space management and optimization in a retail store, Ajay Mehra, COO of Times Retail (Planet M) says: “Space management does not end with just optimization, but has a much larger opportunity for merchandise promotion and display which not only can bring profit for a retail organization but entertain and delight customers too.

The objective of layout management is to obtain the maximum benefits from the space available. There are issues that retail managers should consider when they make layout decision:

- 1) Value of space,
- 2) Space utilization and allocation,
- 3) Customer traffic flow,
- 4) The types of goods,
- 5) Complementary merchandise proximity, and
- 6) The desired store image:

1. Value of Space

The value of space, depending on the location within the store, is expressed in sales per square foot of floor space, and **sales per cubic foot** of cubic space. Sales per square foot is the typical measure for a store, department, or freestanding display. A display, for example, may generate sales of \$1,500 per square foot, where as a retailer like Sam's will generate sales of \$500 across entire store. **Sales per liner foot** are the common measure of shelf space for items like groceries, pet foods, and health and beauty aids. An emerging method of calculating space value on the shelf is **sales per square foot of exposure space**. This is calculated by a length times height measure of vertical space. Space has height value in addition to liner value. **Sales per cubic foot** are a relevant measure for freezer and refrigerator cases. The first and perhaps the most significant element in planning a store layout is the fact that store space varies in value. More people than other parts visit some parts of the store. Therefore, it is easier to make sales along the routes travelled by customers. This means that the value of the space is higher along the more highly travelled routes. Not surprisingly, the area closest to the entrance of the store is the most valuable. The space nearest the front ranks second value, and so on to the back of the store. By the same line of reasoning, store space is less valuable in parts of the store that are difficult to reach. One would also expect variations in sales profits on different floors of the same store. As height from the ground floor increases, the difficulty of attracting customers becomes greater. Consequently, space on the upper floors or in the basement has less value than space on the main floor.

2. Space Utilization and Allocation

The available space in the store is divided into selling and non-selling areas. The non-selling space includes administrative offices, storage, and customer amenities, such as rest rooms. These are all critical requirements for a store. The desire to minimize non-selling space has led to several innovative operating procedures. Among them is the restocking of inventory. Many retailers have begun using quick response (QR) inventory system, where inventory arrives from vendors or a distribution center as it needed on the selling floor. Many retailers lack the partnering relationships with vendors required for QR. There are several different methods of determining the amount of space a department or product

class should receive. Among the most popular is space allocation by historical sales, gross margin contribution, industry averages, or strategic objectives. Some departments command a higher gross margin and / higher sales volume per square foot than others. Because departments such as jewellery, candy, and toys can play their way in the high-value locations of the store, they can be placed in the more valuable areas. Some merchandise has better display potential than others have and is capable of generating higher sales per square foot. A leather goods department, for example, lends itself to an interesting and dramatic display. Therefore, departments with such capabilities should receive choice locations.

a) Allocation by Historical Sales

The amount space that a department or product is allocated is sometimes based on the proportional sales of the product. For example, if apparel traditionally accounts for half of the store sales, it would receive half of the space. A minor problem with this method is that it can lead to under or over allocation of space over time. For example, if space is allocated each year and a department has decreasing sales, the space of that department is decreased. This could lead to a greater decrease in sales, which in turn will lead to a continuing decrease in space. Another potential problem is the over allocation of space on high-priced items. A jewellery department may have very high sales compared to shoes; however, jewellery requires less space because of its physical size. Competition may mean that some volume selling seasonal goods have much lower margins. This can lead to a great deal of space given too less profitable item.

b) Allocation by Gross Margin

One way around the problem of allocating space by sales is to allocate it by gross margin. You remember that gross margin is sales less cost of goods sold. The same method as sales is used except that space allocation is based on the proportion of margin. For example, assume an electronics department has 10 percent of the sales but contributes only 8 percent of the total gross margin for the store. The department would receive only 8 percent of the space. Based on financial criteria, these programs recommend how much space each category of products should have and a specific product mix that will enable the retailer to maximize profits.

c) Allocation by industry averages

Stores sometimes allocate space based on competitive pressures. They allocate the same proportion of space to a particular item as the competition or a similar store. Trade associations provide these kinds of data. This allows the retailer not to appear weak in a particular department. However, it also creates a 'me too' atmosphere that may not differentiate the store from competitors.

d) Allocation by Strategic Objective

Often a store will wish to build up sales in a particular product line. The manager will allocate the product more space that is justified by its previous sales. For instance, if shoes are not selling well but they are important to the image of the retailer, a manager may give more space to the shoe department so that more varieties in types and styles and a greater assortment of colours and sizes are available for sale. Store managers may also use this method for short-term promotion to build up sales of new product line. Thus, this is sometimes referred to as the 'build up' method.

3. Storage of Stock

There are three accepted ways to handle storage in designing a retail store. The first way is to use **direct selling storage** – either exposed in showcases, counters, and drawers, or concealed behind cabinet doors. The second way to provide for storage is through **stockrooms** directly behind the selling area and in the perimeters. The third way is through a **central storage** location. In general, central storage is best located next to receiving and marking areas and as close as possible to selling areas. The trend is to reduce inventory levels by more frequent delivery and better forecasting of sales. It has become easier to display a greater percentage of the store's stock, leaving as little in concealed areas as possible. Some store formats, like Service Merchandise, do not sell the stock on display. The goods are stored on floors above the selling area and then sent to a receiving area for customer pickup. Furniture, carpet, and appliance stores often stock merchandise off-premises in less expensive warehouse space because delivery to the home is required. There is no reason for valuable selling space to be devoted to duplicate items on the selling floor. Exposed merchandise has great appeal. Recently, there has been a movement toward **open storage**,

displaying the entire inventory on hand and eliminating dead space. The trend toward self-service selection has made it practical to display most of the stock. Furthermore, stocking and stock maintenance time is reduced. So, storage area is becoming more and more important now.

4. Customer Traffic flow

Merchants use three basic types of layout patterns to control traffic flow in a store. The first type is known as the **grid pattern**. This arrangement has main, secondary, and tertiary aisles. The layout often maximizes the amount of selling space. It has an advantage in lower costs because of the possibility of standardizing construction and fixture requirements. The second major type of layout design is the **free flow pattern**. The free flow arrangement provides for flexibility in a layout. It reduces to a minimum the structural elements that from the fixed shell of building, such as columns and fixed partitions. Counters are arranged to give maximum visual interest and customer attention to each merchandise department. Counters can be positioned so that their angles will literally capture customer in a department. The third type, the “**shop**” **concept** or **boutique pattern**, is a natural extension of the free flow layout arrangements. Shops must be presented to the public so that they stand out from other departments and become small, intimate specialty stores within themselves. The free flow layout patterns make this easy to do. Stores should be laid out so that customers can get to various parts conveniently and with little effort. Some aisles are made larger and are designed to accommodate a higher traffic count than others. In general, aisles should be wide if the merchandise adjoining the aisle is the type that customers like to look at for a long time before purchasing. Specially, if there tends to be a large concentration of customers, such as at entrances and escalators and before promotional merchandise displays or if the retailer is attempting to control traffic to maximize customer exposure to various merchandise departments.

5. Types of Goods

Merchandise can be broken up into four major categories: impulse goods, convenience goods, shopping goods, and speciality goods. **Impulse goods** are goods customers buy as unplanned purchases. An example might be candy sold at the checkout counter, corkscrew in the wine section or videotape in the electronic section.

a) Convenience Goods

They are those that consumer put a minimum amount of thought into, usually purchasing whatever is available or a known brand. Examples are newspapers and batteries.

b) Shopping Goods

They are those for which a customer is willing to search and compare. There may or may not be a brand preference. If a customer is willing to search and compare, there may be a brand preference. If customer is looking for a specific brand, such as a Sony Trinitron TV, shopping may be for the best price or service. A customer will likely make a trip to different stores seeking just the right goods.

c) Specialty Goods

They are those for which customers have a preconceived need and for which they make a specific effort to come to the store to purchase. Consumers usually will not accept a substitute for a specialty good and will sometimes go to extraordinary effort to purchase such an item. Impulse and convenience goods benefit by being located in high traffic areas where customers, as they pass by the displays, are likely to pick up an item for purchase. In many stores, the checkout counter will be crowded with impulse goods such as candies, batteries, and miscellaneous items. Shopping goods on the other hand, because of the preconceived need, may be situated in more remote areas of the store. In most of the grocery stores, the meat is located at the back. This encourages the customers to pass through other aisles and increases the possibility of a higher number of purchases. specialty goods are unique in that they can create customer traffic. Often a store selling specialty goods can locate in a less expensive site.

The type of the merchandise is the important consideration in a store layout. Think about how all four types of goods might influence a lay out in a discount drug store. For a particular customer a prescription could be a specialty good, and the customer would travel through a maze to get to the pharmacy. While going to the pharmacy many convenience goods such as health and beauty aids may be picked for purchase. While in

the store, the customer could seek out the area where a shopping good like a home vaporizer was located and do some brand and price comparisons for the future purchase. In the check out area and unplanned purchase of film could be made. The key to using the type of good concept for layout is to understand how the store's target market shops for the goods that are going to be offered.

a) Complementary Merchandise Placement

The layout must also take into consideration the nature of complementary merchandise that is interrelated: A sale of an item prompts the sale of another item. For example, the sale of a shirt could logically lead to the sale of a tie, which in turn could lead to the sale of a tiepin. Because of these additional sales possibilities, it is appropriate to plan the interior design so that related merchandise is in close proximity.

b) Seasonal Departments

Some departments need considerable space during particular times of the year. Seasonal departments such as toys, lawn and garden, and greeting cards are examples. Because these departments must expand and contract during certain times of the year, provision must be made to accommodate these seasonal changes. To accomplish this, departments with offsetting seasonal peaks in sales should be placed next to one another or in place of one another.

Effective Retail Space Management

The sight of a good retail store with attractive windows and an enticing entrance induce the customer into entering. The customer enters the store and often keeps walking inside following the walkway wherever it leads, or takes a while to look for directions within the store. Sometime the customer's attention is drawn to certain displays and merchandise presentations before he moves on. To reach his destination inside the store, the customer tends to follow directions to reach there, especially in a big- box format. Seldom does he realize that subconsciously he is directed to 'walk the entire store' and thus exposing him to all that the store has to offer. This is achieved through a well thought-out and laid-out retail floor design.

A well-planned and properly designed retail floor achieves a great deal for the store:

- a) It enables a smooth and efficient customer flow into the store and within it. The design of the fixtures, the placement of merchandise and the fixtures on the floor too direct customers through the store.
- b) It helps the customer reach and access the merchandise he is looking for, without fail.
- c) It helps create a feeling of comfort in the minds of customers, enabling them to waltz their way through without facing any bottlenecks on the way. (It is said that generally the customer, while walking through the retail floor, thinks of the benefits he is going to get from his prospective purchase and feels happy about the right choice he is currently making).
- d) The aesthetics of a well-planned floor are a visual feast for the customer and trigger the 'come-back' feeling in him, as he feels a sense of belonging in the store.
- e) A well laid-out floor, in essence, helps the store to sell more effectively and retain customers.
- f) Effective retail floor space management is critical to the successful operation of a retail store, as more and more sales from the same space would lead to increased margins for the organization. According to R. Sriram, CEO of Crossword: "Space planning is integral to the success, of any retail store since the biggest investment in retail is in space."

Space planning includes the following:

- Plotting the Story
- Defining the "Givens"
- Bubble Diagrams
- Sight Lines
- Access/Traffic Flow
- Placing walls, changes in levels, fixtures, signage, and POS
- Location of Merchandise within the department.

Location of Departments

Location of Departments takes into account the following:

- Relative location advantages
- Impulse products
- Demand/destination areas
- Seasonal needs
- Physical characteristics of merchandise
- Adjacent departments

Location of Merchandise within the Departments

There are various techniques of merchandise presentation. Basically, merchandise presentations are of two types viz., self-service presentation and full-service presentation. In self-service presentation, all the merchandise items are on the selling floor. This facilitates customers to find merchandise on their own, select them and bring them to the cashier before making payments. In full-service presentation, none of the items are placed on the selling floor. Select items may be on display but then customers will need to interact with the store's salespeople to get the items they are looking for. While supermarkets will have the former type of merchandise presentation, it will be the high- end lifestyle stores that often have the later type of merchandise presentation.

Various Categories of Merchandise Items

There are various categories of merchandise at retail stores and suitable tactics are adopted to display them in such a way that complements the product category and the profile of the target market for the said category.

Daily Frequently Purchased Items: There are certain items in a retail store that cater to customer's needs (daily or frequent). A retailer needs to make sure such items are available. He can also place them in less appealing spaces of the store as because any customer will go that extra mile to search for it and pick it up from the store. Such merchandise items are referred as demand merchandise and a retailer needs to make an

effort in placing the items at a place which will make the customers walk through the zone of impulse items in the store. Breads, biscuits and milk in a food and groceries store and hosiery and lingerie items in an apparel store can be cited as examples of demand merchandise.

Impulse items: Impulse items are another merchandise category that is purchased by customers on a shopping trip for which they had not planned beforehand. The items secure attractive locations within a store. The locations are bound to arrest a shopper's attention. One such area of a store is near the till or the cash counter of a store. Cosmetics and perfumes in an apparel store and chocolates in a food and groceries store are examples of impulse items.

Complement Items: Products which complement or coordinate each other are often kept in close proximity at a store. This eases shopping for customers and aids the sales staff of a store to cross-sell items. Thus vegetable peelers can often be found near crates containing potatoes, onions, tomatoes etc. Glue sticks can be found near stationery items like paper, pens, pencils etc.

Seasonal Items: A particular zone of a retail store is often allocated for seasonal merchandise. The area needs to be one of the high visibility zones of the store and it is frequently redone to maintain excitement of the shopper and increase the interest of the shopper. An apparel retailer might be allocating a separate zone for rainy wears during the rainy season. A food and groceries retailer might display mangoes and litchis attractively in his store during the summer season.

Smaller departments within a store are often offered favorable spaces so that larger departments do not overshadow them. A Pantaloon store offers a distinct place to the cosmetics department so that the various departments and categories related to apparels do not overshadow the above said department.

It is thus found that merchandise items are categorized based on various parameters and they are accordingly displayed in the store to maximize sales per sq ft. A sample merchandise layout plan for a sales floor of an apparel retailer dedicated to ladies wear will enhance the understanding of the topic.

An effective tool that considers the psychology of customer buying habits and helps the retailer to position his merchandise is a planogram. It is sometimes even referred to as plan-o-gram. We will discuss about Planograms in detail in the subsequent chapter.

Principles of Designing Displays

In order to create displays that will enhance a store's overall productivity, retailers need to have a working knowledge of the various principles of design viz, balance, proportion, rhythm, emphasis, color, lighting and harmony. All the principles mentioned above needs to be looked at in detail so that they contribute to the overall atmospherics of a store. In one of the previous chapters on visual merchandising, we have already discussed in detail about color and lighting. In this chapter, we will look at the rest of the design elements in detail.

Balance refers to the way items are displayed around an imaginary centerline. It involves equilibrium and weight of elements between two sides of a display. There are two types of balance:

- Formal
- Informal

Formal balance means that there is an object on one side of the line and another object of equal size on the other side of the line and both the objects are at equal distance from the central line.

Informal balance involves one big object on one side of the central line and the other smaller object on the other side of the line. It also often involves a large pale object on one side of the imaginary line and a bright but smaller object on the other side of the line. For effective displays, retailers should consider certain salient factors concerning balance.

Proportion refers to the size and space relationship of all items in a display. Suitable attention to proportion creates emphasis and captures attention of customers. If an item is inconsistent in area or dimension with neighboring items, it looks out of proportion. Adequate attention should be given to the proportion factor when repetitions are used in a display. Similar sized objects should not be used in display as that creates

monotony. One of the basics of proportion is to add odd number of smaller items to larger items and items should define one another to create more interest and desire to buy among customers.

Rhythm measures organized movement from object to object, from background to foreground and from one side to another side. It should ideally make the customer view the dominant objects on display first and then the subordinate objects. Rhythm in displays can be achieved by repetition of items or through progression of sizes of the items displayed. The items on display together should reinforce the selling idea behind merchandise. Overlapping of items is a good way to create rhythm.

Emphasis is the point of initial eye contact and is the formulation of focal point with everything else in display being subordinate. Each and every display should have emphasis which is to be created through color or position of the item. The theme of a shop needs to be emphasized. There are various ways of creating emphasis like solitary items can be emphasized by blank space around. Shiny surfaces have been found to emphasize and enlarge objects.

Harmony creates consistency of mood by ensuring that all parts of a display relate to each other and to the whole display. There are three types of harmony viz., functional, structural and decorative. Functional harmony depicts the physical working of something. In other words it needs to be realistic in appearance. Structural harmony refers to the correct fitting of pieces into one another. The window display of a shop themed on adventure can ideally have fishing gear, pots and pans with a camp in background.

Decorative harmony involves items that are displayed to enhance the aesthetics of lays. A shop reflecting the onset of spring can have butterflies and certain seasonal wears displayed to add to the mood of the season.

Common Errors in Displaying Merchandise

There are certain common errors that retailers often make while displaying merchandise at their stores. Some of them are:

- Too much merchandise
- Too little merchandise
- Lack of underlying theme
- Too many props
- Poorly selected props
- Displays changed rarely
- Limited or no display budget
- Lack of attention to detail

Retailers need to abstain from making the above mentioned errors else these will negatively impact the overall productivity of the store. Proper attention to details will attract customers, retain their attention, trigger impulse purchases and thus improve the sales revenues of a store.

Methods of Merchandise Displays

There are various methods of displaying merchandise at retail stores viz, blocking, stacking, facing, hanging and dumping.

Blocking is a display technique that presents merchandise items that are similar in size, shape, color, brand or design in blocks. The technique utilizes both vertical and horizontal spaces available on shelves and racks and gives an impression of fullness. Blocking is a display technique which we often come across at supermarkets. There are basically four types of blocking viz., color blocking, size blocking, brand blocking and design blocking. Often we find a combination of these at one point of time.

Stacking is a display technique mostly found at apparel stores where shirts or trousers are found to be horizontally laid over one another. Jeans are also found to be displayed in similar fashion at departmental stores.

Facing is another display technique found at departmental stores like Pantaloons, Shoppers Stop, Westside and others. When the full frontal view of the merchandise is presented to the customer while it is being kept on shelves or racks is called facing. Facing is a display technique not just observed in case of apparels but also in product categories like books and CDs.

Hanging is a display technique where merchandise items are hanged through hangers either by presenting their full frontal view or partial view to the customer. Presenting the full view of merchandise to the customer is often not possible due to limitations of space or due to the type of fixture being used at the store. The display technique is exclusively used in case of apparels.

Dumping is a technique of merchandise display where products are randomly kept in dump bins or other such fixtures. Lower valued items or items that are more of impulse buys at stores are often displayed in this fashion near tills or billing counters or other such strategic locations at retail stores. Soft toys or goods meant for children are often found displayed using the dumping technique.

Shelf Labeling: An important aspect related to merchandise displays at retail stores that guides customers in their shopping process and allows them to seek information about products and brands without hassles is called shelf edge labeling. Shelf edge labels are mostly observed at supermarkets that deal with large volumes of merchandise items. Shelf edge labels are also often observed on racks displaying CDs and DVDs. However in such cases, the information contained is lesser compared to what shelf edge labels provide customers about FMCG products. Shelf edge labels provide information on the brand name, quantity, sub-brand (if any) and price. It helps customers with two vital pieces of information about a product which they otherwise would have to find by inspecting the product minutely and that is the net weight of an item and its price.

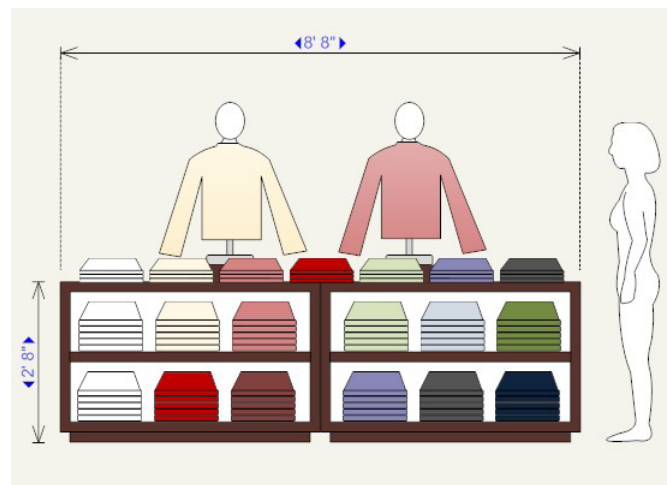
Planograms

Planograms are diagrams that show where products or merchandise should be placed on a shelf or other sort of display. The idea is to maximize the amount of merchandise on the shelf and the amount of sales by arranging in such a way that makes it appealing to the consumer while minimizing wasted space.

Planograms differ significantly by retail sector. Fast-moving consumer goods organizations and supermarkets largely use text and box based planograms that optimize shelf space, inventory turns, and profit

margins. Apparel brands and retailers are more focused on presentation and use pictorial planograms that illustrate “the look” and also identify each product.

Often retailers use planograms to decide how best to get as much on their shelves as possible or increase sales. Even more often, however, the suppliers will send a planogram before sending their product as a suggestion to help in displaying their goods so they can be easily seen and will be placed alongside like objects.



Uses of Planograms

Identify the purpose. Decide what you are making the planogram for, whether for a store or for your home. Also, decide what will be going on the shelves or display you are outlining.

Set the scene. Begin by drawing the backdrop, the display case or shelf that the items are to go on. Draw it as accurately as possible so it can be used literally as instructions for organizing your shelves.

Organize the items. Decide where you want the products or items to go using shapes that share the actual items dimensions and form. Experiment with different ways of arranging the objects so that they fit as best as possible and will be easily seen.

Add visuals. Although optional, using pictorial representations of the objects will give you the complete feel of what you have arranged. It will also allow anyone you share it with to imagine the display.

After completing the planogram, use the diagram to create the life size display. Since all of your dimensions are accurate, you should not have to worry about whether or not everything will fit as you envisioned it; you know it will all fit together perfectly.

Benefits of Planograms

- Consumer driven store-specific planograms increases value leading to lifetime customer loyalty.
- Targeted store-specific planograms lead to maximum in-store compliance resulting in an accurate understanding of product distribution.
- Accurate store-specific planograms ensure optimum supply chain efficiency that results in higher availability to consumers, maximum stock turn and the most efficient use of space.
- Introducing focused store-specific planograms leads to increased sales and profitability, reduction in stock and operational costs and an overall improvement in bottom line contribution.
- Tailors assortments including product launches and group-specific go-to-market strategies, so that you can improve cluster results and meet true local demand
- Increases movement at full retail value while lowering carrying costs and decreasing out-of-stocks and excess inventory, so that you can enhance your overall profitability
- Streamlines space and floor planning, so that you can increase your space productivity and optimize your capital investment
- Translates merchandising strategy into tactics, so that you can drive consistent store execution of your corporate strategic and assortment decisions

Summary

A good store layout helps customers find and purchase merchandise. Store layout refers to the interior retail store arrangement of departments or groupings of merchandise. It involves decision about allocation of floor space, product groupings and nature of traffic Flow.

Nature of traffic flow can take the form of straight or Grid traffic flow, Free-form flow (curving) or racetrack. Plano grams are diagrams that show where products or merchandise should be placed on a shelf or other sort of display. The idea is to maximize the amount of merchandise on the shelf and the amount of sales by arranging in such a way that makes it appealing to the consumer while minimizing wasted space. Planograms are diagrams that show where products or merchandise should be placed on a shelf or other sort of display. The idea is to maximize the amount of merchandise on the shelf and the amount of sales by arranging in such a way that makes it appealing to the consumer while minimizing wasted space. Planograms differ significantly by retail sector. Fast-moving consumer goods organizations and supermarkets largely use text and box based planograms that optimize shelf space, inventory turns, and profit margins.

Self Assessment Questions

1. What do you mean by Trade Area Analysis? Discuss the size and shape of a trading area?
2. Explain the salient features of Reilly's Law.
3. Discuss the importance of Huff's Probability Model?
4. Explain the Index of Retail Saturation Theory.
5. How do you evaluate the Selection of a site?
6. Examine the procedure for Selecting the Specific site.
7. What is store design?
8. Give a detailed account of Store Layout Design.
9. List out the objectives of a good store design.
10. Explain the nature of space planning.
11. How do you manage retail space effectively?

CASE STUDY

Taste it and Retail Franchising

Sameer Singh is a 35 year old high school drop out but has a business acumen that any top B-school graduate would envy. Since 2005, he has successfully expanded his fast food chain named TASTE IT across

the length and breadth of the country. He started his business from his hometown in Ludhiyana and soon expanded via the franchising route in the states of Maharashtra, Karnataka, Madhya Pradesh and Rajasthan. There was a simple and noble idea behind his fast food business. Nuclear families where both husband and wife are working are increasing exponentially in India and this development has disallowed many to prepare their breakfasts at home. There are many who prefer to take their breakfasts on the drive and this is what Sameer Singh's business offered.

Quality Indian snacks, prepared hygienically, offered to customers who had to wait the least amount of time for being served. Sameer Singh can well be compared to the legendary Ray Kroc of McDonald's for having the vision and the will power to turn a pretty simple idea into a big time business. Sameer Singh was clear about one thing that there were Indians who would prefer to have breakfasts on the go but then it was not possible for him financially to expand on his own. He needed people who would accept and acknowledge his business model and would invest in it. This propelled Sameer Singh to invite franchisees for his business. He would travel to various places where potential franchisees would be invited for a seminar. They would be briefed about the business, its present state of finances, its potential. Sameer Singh would make sure that franchisees were informed about each and everything before they signed the dotted line.

India is a land of diverse religion and cultures and so each state had its own unique ways of food consumption. While Sameer Singh ensured that his franchisees stuck to the core idea of offering quality, hygienic food at the least possible time to customers, they were given the liberty in hiring the manpower, communicating to target customers in the mass media in a way they felt the best and experiment with the menu.

In the long run, the franchising strategies of Sameer Singh were found to create a 'win-win' scenario for both the franchisor and the franchisees.

Questions

1. Will you like to recommend any strategy to Sameer Singh that could enhance his business revenues?

2. Do you really think that Sameer Singh's business can have a pan-Indian appeal? Explain with proper reasoning.

Source: Roy, K., (2010) Retail Management: Managing Retail Stores, Vrinda Publications, Delhi, pp. 371-372

CASE STUDY

Godrej & Boyce's Retail Outlets

The Company

The company Godrej & Boyce is a name already existing in the market since the 1970's. It already had 31 showrooms attached to its branches across the country, although most of these were in a dilapidated condition, having being built long back, with no specific division looking after them. However, there were changes occurring with the concept of retailing chain stores gaining acceptance among consumers. The retail speciality outlets have originated and grown at a fast pace in southern cities like Chennai, Bangalore and Hyderabad. Moreover, there are certain factors such as rising incomes, changing lifestyles, and urbanisation which indicate the high growth potential of this segment. This has prompted corporates such as Godrej to cash in on such opportunities.

So in an attempt to shrug off its staid and traditional image, in April 2003, the Godrej Retailing Division came into existence primarily to bring all the company run showrooms under one division and showcase them as 'The New Face of Godrej'. The Godrej retailing division is the speciality retail stores (or showrooms) which display an entire range of its products including refrigerators, washing machines, air-conditioners, home and office furniture, locks and security equipment. Thus the company products are showcased in a new light and contemporary way which in turn has revamped its image. To date, the transformed retailing showrooms are at Chandigarh, Noida, Delhi, Calcutta, Mumbai, Pune, Ahmedabad, Indore, Bhopal, Chennai, Bangalore, Secunderabad, Vizag and Trivandrum.

In-Store Modifications

In order to project a younger and more contemporary face of Godrej, the company had to undertake an exercise of the transformation of its image and a face lift in real earnest. For this purpose the services of Manu Mansheet, a Delhi based Visual Merchandiser has been taken in order to spruce up the outlets. In the outlets, stone walls were replaced by marble granite tiles, tube lights and forbidding wooden panels have given way to bright colours and modern designs. Manu Mansheet has tried to create an in-store design and ambience which conveys an inviting family atmosphere, encouraging customers to experience the products in a natural setting. Within the stores special corners were done up, props such as lamps, frames and paintings were used to recreate a real life setting and provide inspiration and ideas for customers on how to do up their houses. The end result is bright and friendly showrooms displaying a wide array of Godrej products whose price ranges from ₹ 100 for locks to ₹ 80,000— 90,000 for a high-end sofa set targeted at both the middle class and upper class segments.

The end result of the in-store modifications is the transformation of the company image. Earlier, Godrej was always associated with locks and steel cupboards. Not many people were aware that the company was also into selling high-end home furniture and modular kitchens. Hence, through the new retail outlets customers got to see Godrej's entire collection under one roof and also its ability to offer an extensive line of designs catering to various tastes of the customers.

Company's Performance

In the last two years, Godrej and Boyce's retailing division already has set up 34 showrooms across India sprawling over 90,000 square feet in 20 towns. On the systems front, the showrooms have been connected to the company's main computer system for online processing of customer orders.

The retailing division today has a turnover of (for the year ended March 2005), ₹ 42 crore and plans to reach Ps. 100 crore mark in the coming three years. This ₹ 42 crore is an increase of 42 percent over the previous year.

Based on customer feedback and the popular demand for bedspreads and other props used in the store for decorative purposes led the company to have a collaboration with Portico to supply bed lines and a bag manufacturers to retail beanbags in their outlets.

Future Challenges and Programmes

This year the retailing division plans to open at east 10 new showrooms across the country. The main thrust being in high potential places like Mumbai, Delhi, Bangalore, Chennai, Hyderabad and Pune. Other smaller towns like Bhubaneshwar, Ranchi and the likes are also on the agenda.

Now established as a strong player in the home furniture category, Godrej and Boyce's retailing division is continuously launching a slew of new products in the range of sofas, beds, bedroom sets, dining sets, study tables and cupboards from its showrooms. In the future, apart from Portico, the company also hopes to partner with numerous other suppliers and retail a full range of lifestyle home products which are not manufactured by Godrej. Says B.N. Doongaji, VP, Godrej and Boyce. "We want to offer as many products as we can, so that our stores become a one stop shop for customers looking for a complete home solution".

The company plans to open 16 more showrooms in the next two years, thus increase in the number to 50. Even the existing showrooms are being given a face lift by recruiting new staff and training them at selling skills and customer relationship. Further, the company plans to invest ₹ 5 crore to give these showrooms a more modern colourful and lively ambience—all to make it a pleasurable buying experience for the customer.

The challenge before Godrej and Boyce's retailing division will be to consistently deliver customer satisfaction and enhanced value on—store ambience, pleasant customer interaction and proper systems support to facilitate timely delivery and installation. Next year the company is targeting a growth of 50 per cent and a turnover of ₹ 63 crore.

Questions

1. There are international furniture retailers like Style Spa etc. who have set up stores in India, what steps could be taken by Godrej and Boyce to beat competition?
2. Can you suggest various promotional measures which can be used to penetrate smaller cities where there is more spending power with people aspiring to be like their urban cousins?

Source: Nair. S., 2008, Retail Management, Himalaya Publishing House, Mumbai, pp 466-469

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UNIT – III

Unit Structure

Lesson 3.1 - Merchandise Facilitators

Lesson 3.2 - Current Developments in Visual Materials and Fixtures

Lesson 3.3 - Retail Space Management

Lesson 3.4 - Floor Plan Blueprints

Lesson 3.1 - Merchandise Facilitators

Learning Objectives

- Identify different Merchandise Facilitators
- Examine fixture types

Introduction

Retailing is an art, and is particularly true in merchandise presentation. Retailers are increasing their emphasis on presentation, as competition has grown and stores try to squeeze more sales out of existing square footage. Merchandise facilitators comprise fixtures, props, graphics, signage etc., which helps display goods and serve as backdrops. Many retailers have begun to redesign their store layouts in order to manage more customers, maximize their sales, all with the help of better display and space management.

Retail stores are increasingly spending on both the atmospherics and the fixtures and fittings. Atmospherics is the creation of an ideal environment through a mix of elements of sight, smell, touch and sound. In addition to the visual excitement provided by the displays, the right music coupled with a light scent in the form of perfume or potpourri can give a very inviting look to the store. At the right places the customer should also be encouraged to touch and experience the merchandise.

Merchandise facilitators comprise fixtures, props, graphics and signage which are discussed below:

Fixtures

Fixtures are furniture items that hold and display the majority of the store's merchandise. Basic types of fixtures that any retail store can consider are wall shelves, floor standing shelves, pedestals, tables, glass showcases for precious merchandise like jewellery and watches, hanging fixtures, face outs, round racks and so on and so forth. Cramped shop floors are giving way to large uncluttered spaces. The stores are aiming at giving the customer an international look and feel through stylish and unique fittings, accent lighting and digital graphics and signage. The idea is to let the customer spend maximum time inside the store and browse through the entire merchandise. Budgets per store have gone up considerably with ₹20-25 lakh being considered an average amount spend on a 1,000 sq. feet store.

The term fixture refers to an item designed to hold merchandise for display and sale. The principal installations in a store are the fixtures. Fixtures are permanent or movable store furnishings that hold and display merchandise. The basic types include:

- Display cases
- Tables
- Counters
- Floor and wall shelving units
- Racks
- Bins
- Stands

Fixture Types

- Straight Rack: Long pipe suspended with supports to the floor or attached to a wall
- Gondola: Large base with a vertical spine or wall fitted with sockets or notches into which a variety of shelves, peghooks, bins, baskets and other hardware can be inserted.

- Four-way Fixture: Two crossbars that sit perpendicular to each other on a pedestal
- Round Rack: Round fixture that sits on pedestal
- Other common fixtures: Tables, large bins, flat-based decks
- Wall Fixtures

To make store's wall merchandisable, wall usually covered with a skin that is fitted with vertical columns of notches similar to those on a gondola, into which a variety of hardware can be inserted

Can be merchandised much higher than floor fixtures (max of 42" on floor for round racks on wall can be as high as 72")

Props

Props are often found inside a store to highlight the merchandise and add to the visual impact of a store on customers. There are props which are meant to be sold while there are props which are not meant to be sold. The props that are meant to be sold have been found to increase the sale of props as well as the products along which the props are kept. Baskets and boxes are generally the props which are sold. Boxes along with chocolates or baskets along with soft toys are some examples of props to be sold. The props which are not meant to be sold are basically display products in a more attractive manner. Shelves, mannequins, wooden crates, tables are some props that are not to be sold but they basically improvise the visual appeal of a product.



Props are objects used in a display to support the theme or to physically support the merchandise. Props, also called properties, are special display elements. They are generally classified as decorative or functional. Functional props, such as mannequins, hold merchandise

Graphics

Once the shop owner selects colours, he should consider incorporating graphic images that feature products, welcome and thank-you signs, or general artwork relating to the store's image. Other considerations for graphics are counter cards, tile printing, textured graphics, fabric banners and photomurals. Today's technology allows for photographic reproductions on almost any surface, from floors and walls, to many different fabrics and tiles. A designer can create a larger-than-life graphic by electro statically printing an image onto an adhesive vinyl, and then applying the adhesive vinyl to the wall in multiple panels, in a similar fashion as a wallpaper. This material works well because maintenance workers can easily clean it. Using these tips, retailers can turn stores into dynamic retail environments. Remember, if the store's Objective is to make it a fun place to shop. Educate customers about products, if that is the goal. Interact with customers by letting them know you want them to visit. Successful stores are becoming destinations that captivate, intrigue and make your customers smile. Try using colour graphics, and once the crowds flock to see that beautifully designed store, make sure the product is still great too!

Signage

The basic purpose of signage in any organized retail store is to provide some basic and significant information to the customers. Signage displays the positive aspects of the store. The information on signage is generally found to be short and informative. Some key words like 'Prices', 'Discounts' and 'Free' are often found on a signage.

Signages are of four types, each having a separate purpose:

- **Promotional Signs:** They inform about price-offs and special events.
- **Location Signs:** They direct customers to different departments within a store. For example, in an apparel store, location signs can direct customers to the mens wear section, ladies wear section or the kids wear section. Location signs also direct customers towards basic amenities like toilets.

- **Informational signs:** They provide customers with information regarding product related features and benefits.
- **Institutional Signs:** They indicate store policies and other charitable events. Policies regarding shoplifting or exchange of goods once sold are some of the examples of institutional signs.

Display Effective Signage System

Signage displays play a unique role in disseminating and promoting brand awareness, which ultimately leads to making consumers enter a store. An effectively designated signage makes an impression in the mind of the consumer enabling him or her to easily recall the brand's identity. Amanpreet Kaur and Naveent Kamboj explore the role of signage displays.

Signage is basically a form of communication used in store and outside-store irrespective of the formats be it supermarket, hypermarket, shopping mall or others. Also, signage is used at public buildings and institutions to disseminate 'the message' through easy and catchy language, appearing visuals and graphical. Common signage includes printed posters, banners, bill-boards, hoardings, electronic display systems. Used to attract consumers to ultimately boost sales, signage is but an aspect of visual merchandising. No doubt, an aesthetic signage display can convert the passerby into a potential customer. To catch the eye of the consumer, a retailer spends enormous amount of money on advertising campaigns via both print and electronic media to create awareness amongst consumers, company and its customers. Every retailer or establishment chooses a particular signage, which acts as a brand promoter in the long run and enables the mass to differentiate between different players present in the market. With recent developments in technology, companies are now opened to new alternatives whereby they can choose, from wide ranges of options, more effective and more aesthetic types of signage that are economically viable too.

Role of Signage in Retail

In the present scenario of retail, signage plays a very strategic role in inviting shoppers into a store by providing them comfortable shopping experience; helping them to find merchandise they are looking for, therefore, guiding the consumers with relevant information. Effective

signage designs help in building a unique identity of a product, brand and company. With increasing competition in the market, design firms and companies are coming up with the latest technology to create innovative signage display systems for retailers. Mr Krishanrajan, Vice President, RAMMS India Pvt. Ltd, says, "Signage has a very strategic role in inviting shoppers into the store, making them comfortable in the environment, helping them find the merchandise they are looking for, providing information to make decision. Hence, the role of signage is very important in the retail dynamics. Strategically designed, it can work wonders in the market place." Commenting on the role of this popular form of communication called signage, Mr Anuj K Dixit, Design team head, Shark design Studio Pvt. Ltd, says, "In retail environment, signage design informs consumers about place and product. It entices consumers to interacting with environment and its offerings. Therefore, its role is vital." Effective signage designs display the information in different visual elements like color, form, motifs, icon materials and textures. Mr. Sumit, Director, The Leaf Design, says, "Well, there are different categories of signage viz. directional, identification, instructional or informative, caution and courtesy signages." Each one of these can be seen inside and outside buildings or high streets. Thus, these play a different role in communicating the desired message to the public. A signage directs, guides, informs and helps people in way-finding.

Earlier, companies used to give more importance or prominence to external signage. With the passage of time, retailers realized the significance and importance of internal designs as well. Now, signs are displayed both internally and externally. By displaying the right information, signs play, for the consumer, a key role in making distinction between various brands. External signage is used to catch the attention of any the attention of any passer-by. While internal signage is used inside retail outlets to give directions by providing specific information and helping thus consumers to make right buying decisions, external signage directly communicates to consumers about the location of products and services available in the store. In short, external signage acts like a bridge or practical link between brands and consumers. Ms Shanoo Bhatia, Founder Director, Eureka Moment says, "External signage is used to provide first level of information in retail design and informs thus about the environment while attracting consumers." Effective signage displays can easily tempt the customer to move to a store. This ultimately helps the retailer in increasing sales and

maximizing profits in the long run. There are various types of signage that are used in retail outlets viz. external fascia, perpendicular, navigational, category services and promo types.

Signage: Traditional vs Digital

With rapid advancement in technology, retailers around the world are strategically following newer concepts to deal with intensifying competition. Today's digital signage systems create a consumer-centric atmosphere that takes shopping experience to the whole new level. Traditional signage is basically a static one, which uses variety of material that consists of tin boards, cloth banners and flex. However, in addition to passive promotional messaging, digital signage systems display information via a simple monitor, flat panel screen or even a projector. It focuses on customer centric content messaging that puts your customers first, by telling them what they want to know. LED (light emitting diode) signage is the latest trend in today's technology-driven retail environment. It is very expensive as compared to other traditional signage systems for it requires good investment for installation. It can be controlled using a computer or other devices and allows individuals and groups to remotely change and control their contents via Internet. Mr Dixit says, Content scheduling and playback can be controlled by a number of technologies that ranges from simple, non-networked media players (that can output basic loops of MPEG-2 video) to complex ones (N-tier player networks that offer control over many displays in many venues from a single location.)

Modern Technology

Adopting the latest technology, retailers are shifting from static print signage to electronic signage display technology for attracting the customer's attention. However, companies are spending huge amount of money on outdoor media advertising to promote the brand value and recognition. LED technology is becoming more beneficial and convenient. Mr Nagaraja R, Director (design), Four Dimensions Retail design (India) Pvt. Ltd, says, LED signage is the latest trend in signage. Though it is more expensive than other types of signage, it is widely used. Once it is installed, it can be operated through computers and can be changed accordingly to the requirement of the store. Today, digital signage is an emerging technology, which has the ability change messages in 'real

time'. The system enables just-in-time marketing implementation and unlimited content can be easily displayed. Product and brand promotions can now be done in a more efficient manner and at a much lower cost compared with traditional ways. Developments in lightening and printing technology are also taking place and this helps for varied surfaces used for signage. Backlit signage using 'digital printing technology' is popular. Mr Shanthanu Saha, CEO, Idiom Design & Consulting Ltd, says, "Although digital signage systems are gaining popularity, the market is waiting for them to become more affordable and accessible. Till then, traditional signage will continue to dominate the retail industry." It's time to upgrade the traditional signage technology with modern technology. The latest technologies in the international markets are now available in India. With increasing popularity and falling prices, people will adopt newer technologies in signage.

Signage Display: Advertising Tool

Today, retail industry is undergoing a major change as companies are opting for newer advertising and promotional strategies to deliver messages to target audience. Signage systems have been able to mark their impact on customers with the help of limited words and catchy phrases that create the vivid image of brand. Big retailers around the world are spending huge amounts of money on advertising tools using digital technology to catch the consumer's attention with updated messages.

Scope of Signage

Retail companies are, in today's competitive environment, opting for the latest strategies to survive and face challenges. The worldwide signage industry is worth over \$ 100 billion (approximately ₹ 4,000 billion) with the digital signage segment's worth estimated at \$4 billion (approximately ₹ 160 billion). The scope of signage system seems very bright as retail spaces are becoming larger and requirements for sign systems that are efficient in directing and informing have become vital. Companies are following different advertising strategies to promote and create awareness about their brands. With growing awareness in retail, retailers are investing heavily on deploying the latest technology in both interiors and exteriors to make signage displays more powerful, appealing, flexible and easier to provide enhanced customer experience. Nowadays,

the scope of digital signage systems is becoming big as companies are realizing the impact of digital media. Mr Dixit believes, the future lies more into consumer-based interactive signage systems rather than in boring and static traditional signage systems. We are looking for new technologies to contour the future of retail digital signage. Digital signage display systems are going to be part of future as these can disseminate the message to the mass audience far beyond the reach of traditional media.

Themes

The principal purpose of themes in a retail store is unifying a subject or idea of product display in the store. Themes add to the aesthetics of product display apart from drawing and retaining the customer's attention within the store. Retailers have often been found to alter the theme of displays within a store with changing seasons or because of festivals to make the shopping experience more relevant and fun-filled. Themes can be of different types like winter fall theme, summer theme, Diwali theme, Valentine's Day theme and Children's theme.

Summary

Merchandise facilitators comprise fixtures, props, graphics and signage. The term fixture refers to an item designed to hold merchandise for display and sale. Props are objects used in a display to support the theme or to physically support the merchandise. Once the shop owner selects colours, he should consider incorporating graphic images that feature products. Shoppers are choosier when it comes to the type of products and merchandise that they buy in stores. Sometimes it is hard for retail merchandise to transect business because of the demands of clients that are a challenge to meet. However, it is not impossible so long as you know the type of display racks that you are going to use for each and every product that you are retailing in your establishment. Factors are to be considered in Merchandising Stores, value/fashion image, angles and sightlines, vertical colour blocking, wood displays, shelving, pegging, folding, stacking, dumping.

Lesson 3.2 - Current Developments in Visual Materials and Fixtures

Learning Objectives

- Examine recent Developments in Visual Materials.
- Identify Current Developments in Fixtures

Introduction

In this day and age, people have become advanced and we have adapted to change in order to align ourselves with the complexities of everyday living. Shoppers are choosier when it comes to the type of products and merchandise that they buy in stores. Sometimes it is hard for retail merchandise to transact business because of the demands of clients that are a challenge to meet. However, it is not impossible so long as you know the type of display racks that you are going to use for each and every product that you are retailing in your establishment. Following Psychological Factors are to be considered in Merchandising Stores

- **Value/Fashion Image**

Trendy, exclusive, pricy Vs value-oriented

- **Angles and Sightlines**

Customers view store at 45 degree angles from the path they travel as they move through the store

Most stores set up at right angles because it's easier and consumes less space

- **Vertical Colour Blocking**

Merchandise should be displayed in vertical bands of colour wherever possible – will be viewed as rainbow of colours if each item displayed vertically by colours.

Creates strong visual effect that shoppers are exposed to more merchandise (which increases sales)

Wood Displays

When it comes to choosing display stand units, whatever your merchandise may be, a well-crafted wooden display stand will definitely make your products attract attention. Natural cooking materials will look very nice when put on a custom wooden display rack, wine will look more extravagant when displayed in great stands one can set different products on wooden fixtures.



Shelving

Flexible, easy to maintain

Pegging

Small rods inserted into gondolas or wall systems – can be labour intensive to display/maintain but gives neat/orderly appearance

Folding

For softlines can be folded and stacked on shelves or tables - creates high fashion image

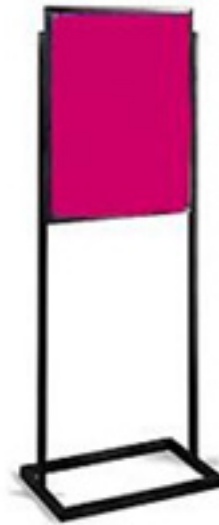
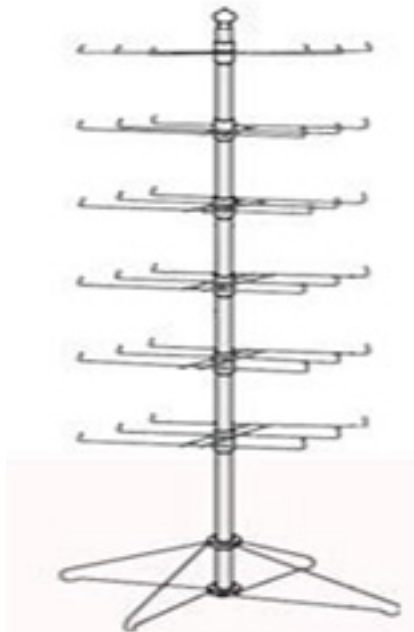
Stacking

For large hardlines can be stacked on shelves, base decks of gondolas or flats – easy to maintain and gives image of high volume and low price

Dumping

Large quantities of small merchandise can be dumped into baskets or bins – highly effective for softlines (socks, wash cloths) or hardlines (batteries, candy, grocery products) – creates high volume, low cost image

8 pocket rotating brochure holder**Lighted Window Signs**

Mirrored Display Cases**Floor Standing Poster Holder****Floor Standing Hook Displays****Merchandise Racks****Current Developments in Fixtures**

Wood, metal, pressed wood and fiber board are some of the most commonly used materials for designing fixtures. Fixtures are generally made of materials that are light, easy, compatible, transportable and durable. Generally fixtures account for 23%-30% of a store's interior designing costs. Retailers need to follow certain guidelines in the context of setting up fixtures at stores.

Fixtures are basically of three types viz. hardlines fixtures, softlines fixtures and wall fixtures. Some of the examples of hardlines fixtures are gondolas, tables, end caps, display units kept on shop floors. Examples of softlines fixtures include mannequins and racks. These fixtures are often used for enhancing the image of products like apparels, foot wear and jewellery. Fixtures like mannequins are further referred to as feature fixture as they draw customer's attention towards the color, shape and style of the merchandise. Wall fixtures are those that are mounted on the walls of stores like shelves, wall cabinets and slatwalls and slatwall accessories.

Different Types of Fixtures

Different types of fixtures are as follows:

1. End Caps and Gondolas

End caps and gondolas are generally observed at supermarkets. End caps are units at the end of aisles. They are important selling locations at stores for impulse and seasonal merchandise. Related merchandise items are generally grouped together on end caps and gondola sides. End caps ideally represent the related merchandise on gondola sides. Gondola shelving units are quite versatile in their function as they are easy to install and change on a frequent basis. The units come in several heights and in a variety of colors. Gondola shelving is used to create end caps, wall units or center aisles.



Different store types have different range of fixtures. Thus an apparel store has fixtures like mirror displays, garment racks, tables, mannequins, slatwall accessories, 2- way and 4-way racks. A jewellery store can have fixtures like acrylic and mirror displays, countertop displays, insert trays, jewellery boxes and half bust forms of mannequins to display necklaces and other jewellery items. Abstract mannequin forms like a hand are often found that highlight merchandise items like rings and bracelets.

2. Slatwall



Slatwall panels and accessories are an important fixture found at retail stores. There are basically three types of slatwall panels viz, paint grade slatwall, melamine slatwall and high pressure laminate slatwall.

Paint grade slatwalls These slatwalls are found in raw medium fiberboard form. They have an unfinished look and can be primed or painted in any choiceable color.

3. Melamine Slatwalls

Melamine slatwalls are coated with a solid color and they have a wood grain appearance. Some of the common colors in which melamine slatwalls are available are black, fog grey, brushed aluminum and cherry. High pressure laminate slatwalls have the polished looks and are often found at stores selling premium products to the high income customers. These slatwalls bring more gravity in the image Shtwall Panels of the store. Regardless of slatwall panel size, all panels measure Win thickness. Slatwalls are also known as slotwall, slat board, slat board panel and slot board panel. Aluminum or other metal extrusions are often added to slatwalls to enhance their supportability by 75%. There are several slatwall accessories available viz. siatwall display hooks, slatwall shelf brackets, slatwall waterfall display hooks, slatwall baskets, slatwall display shelves and slatwall hangrail brackets.

4. Racks

Racks are another important fixture at retail stores are the racks. There are different types of racks found at retail stores viz. 2-way racks, 4-way racks, double rail racks, browser racks and lingerie racks. Racks are more vividly found at apparel stores compared to other store types.

2-way racks: They are used to highlight single outfit or special buys and are often used for displaying shirts and tops. The racks have a wheel base that allows for easy movement within stores.



4-way racks: Like 2-way racks, 4-way racks allow for traditional and economical way of displaying clothes. The arms of both 2-way and 4-way racks are adjustable as per requirement. 4-way racks are also called 4-arm or Quad-arm racks. Shirts, trousers, tops and kidswear are displayed on 4-arm racks. 2-way and 4-way racks create a visual impact within a compact space.

Double rail racks: They are appropriate for cross-selling purposes. Shirts with matching trousers or tops with matching skirts are often displayed on double rail racks.

Round racks: They are also called browsers and are often used to display t-shirts, tops and kurtas. Round racks allow for effective display of merchandise of varying colors, sizes and designs.

Lingerie racks: These as the name suggests are used to display socks and undergarments. The arms of the rack are adjustable just like the 2-way and 4-way racks. However lingerie racks are often used in retail stores to display ladies accessories like bangles, hair bands and hair clips.

5. Hangers

Apart from racks, hangers are extensively used at stores for hanging the merchandise. Hangers are classified based on the material they are made of and also on the purpose they serve. On the basis of material, hangers are classified into several types:

Plastic Hangers: Available mostly in white, black or clear plastic color. In terms of sturdiness, plastic hangers range from flimsy and lightweight to heavyweight unbreakable hangers.

6. Mannequins

Mannequins not only create strong differentiation for retail stores but also allow customers to visualize themselves as wearing/using the merchandise and create a strong desire in them to buy a certain product at the store. Mannequins are three dimensional forms representing the human body and they come in several forms and sizes based on the requirement of various store formats. Mannequins have been largely found to impart a certain kind of attitude to a store and enhance its overall image. There are broadly five types of mannequins viz, realistic mannequins, semi-realistic mannequins, semi-abstract mannequins, abstract mannequins and headless mannequins.



Realistic mannequins possess physical characteristics that resemble normal human beings. At one point of time, realistic mannequins were designed to resemble either a famous model or a beautiful and popular movie star. However in order to make shoppers identify and relate themselves to the merchandise and the corresponding image promoted through the mannequins, now a days, realistic mannequins are designed as ordinary human beings in terms of facial characteristics, overall body structure, attitude and personality.

Semi-realistic mannequins are sculpted like realistic mannequins but they are more decorative and stylized in appearance. The mannequins are painted either white or black but they do not look like a human being per se as because their facial features, hair etc look more like a form of art rather than resembling a pure human form.

Semi-abstract mannequins are more stylized in appearance. Many of their features are either painted or merely suggested. For example, a bump is often used to represent nose or a hint of pursed lips. The semi-abstract mannequins may or may not have a particular hairstyle painted on their otherwise smooth, egg-shaped heads. The mannequins generally have a doll-like appearance and are less elegant in appeal.

Abstract mannequins are extremely stylized with the main objective of attracting shoppers to the merchandise donned by them. The mannequins do not have any eyes nor do they have any feature that suggests the presence of eyes. The limbs of such mannequins are too long and slender and are no way sculpted to resemble a natural human figure. Mostly, these mannequins do not have specific detailed features like fingernails, elbows and musculature.

Headless mannequins as the name suggests are three dimensional forms without any head. They are either found in sitting or standing posture which depicts a natural human posture personality wise. Headless mannequins work well on windows and also to some extent on shop floors. Headless mannequins are economical to maintain and offer flexibility of usage compared to other types of mannequins since they do not have any head and hence, make-up or wig is not required to maintain them. Apparel outlets have been found to use headless mannequins to display a wide array of merchandise.

The three quarter forms are another version of mannequin displays at retail stores. There are several variants of three quarter forms which include forms like the torso, the bust, the region from shoulder to waist or from hips to ankles. The three quarter forms often come with an adjustable rod especially in the case of forms that represent the hips to ankles portion. Busts are often found at jewellery stores that display items like necklaces etc.

Apart from the fixtures discussed above, there are certain other fixtures that we often come across at retail stores. Full vision and Half vision display cases are often used to display items like jewellery and electronics. Sliding doors, locking mechanism, interior lighting and adjustable shelves are some of the features of the showcases. Half vision display cases not just visibility to the products in question but have also a concealed clerk side storage area.

Dump bins and Dump tables have also featured as an important fixture at retail stores especially when a store has gone for certain promotions on its merchandise or clearance sale. Many times at various book stores, we find books at discounted price being displayed on dump tables and placed at key locations within the store. The fixture works effectively for smaller sized items.

Guidelines for Setting up Fixtures at Stores

- Allow 3 feet between racks.
- State law requirements for aisle width varies from 4 to 8 feet. The most common aisle width is 6 feet. Check state and local codes for the requirements in your state.
- The aisle leading directly to the fire exit is considered a major aisle. Do not block the fire exit with fixtures or extraneous materials.
- A well-planned, geometric aisle pattern works best to maximize sales.
- Place aisle displays on an island rather than wing fixtures.
- When placing racks progress from small (sized or capacity) fixtures at aisles to large fixtures near the back walls. When working with

hard goods, place cubes in the front with gondolas to the rear of the department or store.

- Higher-priced stores require fewer fixtures because there is less stock. Use primarily T-stands and fourways to create an illusion of space and selective goods.
- This feeling is necessary to sell higher-priced goods.
- Create exciting displays of mass merchandise by using quantity and color. Display merchandise in quantity on quads, mooringdales, reunders and 'F-stands; use cubes for folded goods.
- Fixtures that work well for sale items include tub tables, round racks and rectangular racks.

Summary

Wood, metal, pressed wood and fiber board are some of the most commonly used materials for designing fixtures. Fixtures are generally made of materials that are light, easy, compatible, transportable and durable. Fixtures are basically of three types viz. hardlines fixtures, softlines fixtures and wall fixtures. Some of the examples of hardlines fixtures are gondolas, tables, end caps, display units kept on shop floors. Examples of softlines fixtures include mannequins and racks. These fixtures are often used for enhancing the image of products like apparels, foot wear and jewellery. Fixtures like mannequins are further referred to as feature fixture as they draw customer's attention towards the color, shape and style of the merchandise. Wall fixtures are those that are mounted on the walls of stores like shelves, wall cabinets and slatwalls and slatwall accessories.

Lesson 3.3 - Retail Space Management

Learning Objectives

- Understand the nature of Retail Space management
- Examine the objectives of space management

Introduction

Once a retailer decides what to buy from vendors and how much of it to allocate to specific stores, someone needs to decide where in the stores the products will sit. This is a very important step in retail since store layouts are crucial to the shopping experience. Products need to be easy to locate, near related products, and have the correct facings. Should this product be on the endcap? Should it be at eye level? Should it have 8 facings or 10? Space management is about maximizing every inch of the selling floor.

Traditionally, headquarters creates a limited number of planograms (PoG) that define where products go for a particular store format. Unfortunately, not all stores are the same. Not only do their formats vary, but there's usually a degree of localization that makes them even more unique.

So often the corporate PoG is treated as advice only and compliance is low. The answer is more collaboration between headquarters and the store. An increase of 10% in compliance can decrease stock-outs by 1%, and that leads to higher sales.

Space and inventory are the two most important resources of the retail firm. The best possible allocation of the store space to departments, product categories, storage space and customer space, is a major challenge for the owners and managers of the store. Retailers acknowledge the importance of space management for the success of business. It has two way bearing on retail business - it not only attracts business by ensuring

convenience to customers but also places the merchandise in accordance with the salespersons' work allocation. The key objectives of retail space management are:

- 1) To obtain a high return on investment by increasing the productivity of retail space. This requires effective utilization of space for merchandise display and customer movement.
- 2) To ensure compatible, exciting, and rational interface between customer; merchandise and sales people.

The space management decision also has an important influence on sub-decisions like:

- a) Location of various departments
- b) Arrangements between departments within the shopfloor
- c) Selecting the layout with customer behavior in mind
- d) Planned traffic flow of customers

Once a retailer decides what to buy from vendors and how much of it to allocate to specific stores, someone needs to decide where in the stores the products will sit. This is a very important step in retail since store layouts are crucial to the shopping experience. Products need to be easy to locate, near related products, and have the correct facings. Should this product be on the end cap? Should it be at eye level? Should it have 8 facings or 10? Space management is about maximizing every inch of the selling floor.

Retail space management is one of the more crucial challenges faced by retailers today with an ever expanding volume of data to which they must refer when making decisions. Problems have emerged that are intractable using traditional means but for which interactive information visualization shows much promise. These problems or tasks are exploratory in nature and use temporal multivariate data. Department stores must maximize and optimize return on allocated retail space. Although product sales are readily available, the missing link for most retailers is a precise understanding of each store's layout in relation to its capacity and performance. Visual Space Management (VSM) with a multiple-linked view application explores retail data related to space

performance. Multiple-linked view application integrates familiar information visualization representations and a 3D interactive layout of store floor plans with retail data sources. Parallel coordinates plot serves as a multivariate visual control panel in the coordinated system. Seasonally retail data analysis is performed simultaneously in linked views through time. Visual inquiry methods are supported for conditioned temporal multivariate data.

Definition

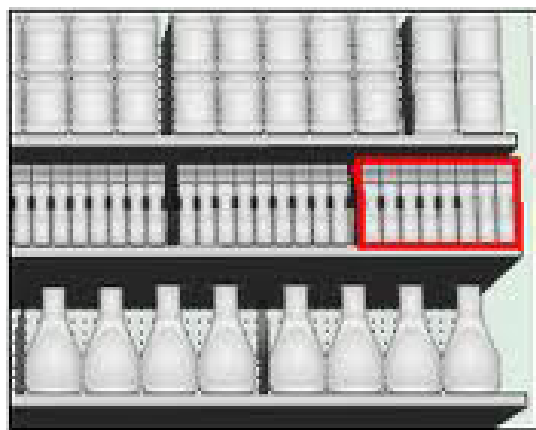
Retail space is the last stop in the manufacturing chain, the spot where merchants sell products to customers. Retail space differs from other commercial properties, such as industrial or office space, in that the emphasis is on product display and customer accommodation.

Managing Retail Space

As a retailer one of your greatest assets is 'space'. However in many situations the amount of space you have is a finite resource so the asset has to be sweated – in other words made to work harder for you! It needs to be well managed.

What should be your space management objectives?

It goes without saying that space needs to be used effectively. This means providing a logical, sensible, convenient and inspirational customer offering and making sure that the right products are available at the right time.



A Management Process

'Space management' needs to be viewed as a management activity in its own right with rules of good practice and correct processes to follow. It should not be a random 'ad hoc' activity! First you need to measure the total amount of space available and divide this available space into selling areas, and non-selling areas (paths, till points, storage etc). Once you have obtained a figure for the total amount of selling space available, you then need to allocate space to each product category. The amount of space devoted to each product category will be determined generally by historical data or forecasted data.

Having allocated space to each product category the next stage is to determine the location of the product categories within the space available and to decide on product adjacencies – what will go next to a particular product category. Some products of course require a disproportionate amount of space (such as garden furniture), others such as seeds can withstand a disproportionately smaller area. At this stage it is also important to consider the life cycle of the product category – if the products are on the wane do you want to give them so much space? Could the space be replaced with a product that still has growth potential? Finally space needs to be allocated to each product line within a category. That, in very simple terms is how you determine how to use your space. Of course in reality it is much more complicated than I have suggested here but the principle remains the same. Space allocation must be considered thoroughly – and if it can be done in conjunction with historical sales data then all the better.

How to View Products

A good way of viewing products and determining their space allocation is to consider them under 4 broad categories. They are:

Profit Builders

These are product categories with high profit margins but low sales. The space needs to be adjusted so that you focus on quality space rather than quantity space – so putting these products in a secondary hot spot might just pay off.

Star Performers

These are product categories where sales and profit margins exceed targets. You therefore need to give them a large amount of good quality space – primary hot spots. You should consider increasing the number of products within these categories.

Space Wasters

We all have these I'm sure! They will generally be product categories that have low sales and low profit margins! Do you need them? If you think you do then they should not be displayed in primary and secondary locations. Consider putting them at the top or bottom of shelves, but make sure that they are well signposted.

Traffic Builders

These are product categories that have good level of sales but profit margins are small. These products need to be displayed close to impulse lines but also work on improving their margins – maybe negotiating better deals or charging a higher price.

Summary

Retail space management is one of the more crucial challenges faced by retailers today with an ever expanding volume of data to which they must refer when making decisions. Problems have emerged that are intractable using traditional means but for which interactive information visualization shows much promise. These problems or tasks are exploratory in nature and use temporal multivariate data. Department stores must maximize and optimize return on allocated retail space. Although product sales are readily available, the missing link for most retailers is a precise understanding of each store's layout in relation to its capacity and performance. Visual Space Management (VSM) with a multiple-linked view application explores retail data related to space performance. Multiple-linked view application integrates familiar information visualization representations and a 3D interactive layout of store floor plans with retail data sources. Parallel coordinates plot serves as a multivariate visual control panel in the coordinated system.

Seasonally retail data analysis is performed simultaneously in linked views through time. Visual inquiry methods are supported for conditioned temporal multivariate data. 'Space management' needs to be viewed as a management activity in its own right with rules of good practice and correct processes to follow. It should not be a random 'ad hoc' activity! First you need to measure the total amount of space available and divide this available space into selling areas, and non-selling areas (paths, till points, storage etc). Once you have obtained a figure for the total amount of selling space available, you then need to allocate space to each product category. The amount of space devoted to each product category will be determined generally by historical data or forecasted data.

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Lesson 3.4 - Floor Plan Blueprints

Learning Objective

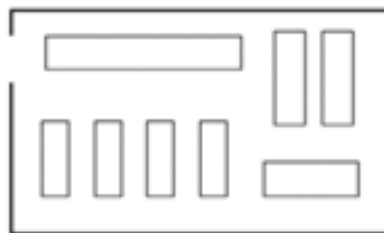
- Understand different floor plan blue prints.

Introduction

A well-planned retail store layout allows a retailer to maximize the sales for each square foot of the allocated selling space within the store. Store layouts generally show the size and location of each department, any permanent structures, fixture locations and customer traffic patterns. Each floor plan and store layout will depend on the type of products sold, the building location and how much the business can afford to put into the overall store design.

The retailer must plan out each and everything well, the location of the shelves or racks to display the merchandise, the position of the mannequins or the cash counter and so on.

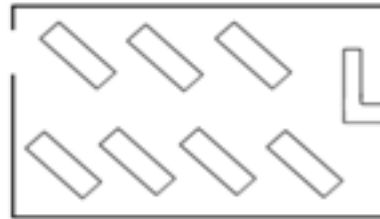
1. Straight Floor Plan



The straight floor plan makes optimum use of the walls, and utilizes the space in the most judicious manner. The straight floor plan creates spaces within the retail store for the customers to move and shop freely. It is one of the commonly implemented store designs.

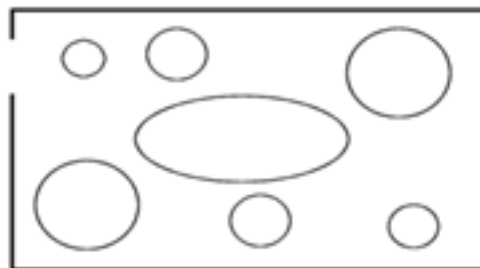
2. Diagonal Floor Plan

According to the diagonal floor plan, the shelves or racks are kept diagonal to each other for the owner or the store manager to have a watch on the customers. Diagonal floor plan works well in stores where customers have the liberty to walk in and pick up merchandise on their own.



3. Angular Floor Plan

The fixtures and walls are given a curved look to add to the style of the store. Angular floor plan gives a more sophisticated look to the store. Such layouts are often seen in high end stores.



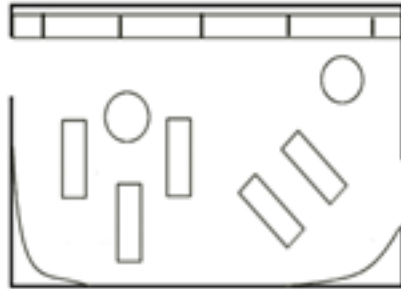
4. Geometric Floor Plan

The racks and fixtures are given a geometric shape in such a floor plan. The geometric floor plan gives a trendy and unique look to the store.



5. Mixed Floor Plan

The mixed floor plan takes into consideration angular, diagonal and straight layout to give rise to the most functional store lay out.



Summary

The retailer must plan out each and everything well, the location of the shelves or racks to display the merchandise, the position of the mannequins or the cash counter and so on. Straight Floor Plan makes optimum use of the walls, and utilizes the space in the most judicious manner. Diagonal floor plan works well in stores where customers have the liberty to walk in and pick up merchandise on their own. Angular floor plan gives a more sophisticated look to the store. The geometric floor plan gives a trendy and unique look to the store. The mixed floor plan takes into consideration angular, diagonal and straight layout to give rise to the most functional store lay out.

Self Assessment Questions

1. What are the Merchandise Facilitators?
2. Examine different fixture types.
3. What is signage?
4. Examine recent Developments in Visual Materials.
5. What are the Current Developments in Fixtures?
6. Explain the nature of Retail Space management.
7. List out the objectives of space management.
8. Define Floor Plan Blueprint?
9. Explain different floor plan blue prints.

CASE STUDY

A Tale of Two Stores

The Daily Mart, a food and grocery retail shop was opened at Panjagutta (Hyderabad) in 2001. The area had a mixture of business establishments as well as residential apartments. Shopping at supermarkets for daily needs was new in India at that point. The owner of the shop Bhushan Reddy believed in the first-mover advantage and so he made it a point that his retail format was the first in the area. As time went by, his belief paid rich dividends as footfalls multiplied and there were many who frequented the shop almost on a regular basis. The story remained much the same for the next two years.

In early 2004, Onions Etcetera a food and grocery retail shop was established in the same area by the Sri Sai Business Group. Onions Etcetera was just bang opposite to where The Daily Mart was existing for more than two years. Within six months of Onions Etcetera starting its operations, Reddy found the sales revenues of his business declining steadily. The trend continued for few more months and Reddy started pondering as to what was the reason behind the same. The customers who earlier used to frequent The Daily Mart now preferred shopping at Onions Etcetera on a daily basis. Reddy first tried to compare the price of offerings in the two shops and found that it was his shop that had an edge. The overall exterior and interior decor was also much the same. In terms of product range, it was The Daily Mart that was the clear winner. Reddy's enterprise adopted scrambled merchandising strategy as it was felt that this could attract additional shoppers. Magazines, CDs, wallets and few fashion accessories and toys were added. But hardly any positive development was identified.

Bhushan Reddy hired a retail consultant to seek a panacea to the problem. The consultant, Anand Mali after studying the operations of the two competing shops identified that the problem lay with the sales and service staff of The Daily Mart and also the merchandise placement strategies adopted by Reddy. While the CSAs of Onions Etcetera were a highly motivated, well skilled, courteous and well groomed individuals, the personnel at Reddy's enterprise were shabbily dressed, moron creatures on whose faces it was always written-"its just another day. What's new about it?" The traits of ambition, commitment, persuasiveness and

passion were simply not to be found among them. This caused customers to switch once they had a better option. Moreover, the aisles were too narrow which often made one feel as if he/she was in a well illuminated warehouse and not quite in a retail store. The placement of merchandise was such that it allowed very little scope for the CSAs to go for upselling or cross selling. For example, the place where potatoes were kept and the potato peelers existed were far off which eliminated the scope of selling a peeler as a complimentary item along with potatoes. Customers were simply not interested to go that 'extra mile' to shop for a potato peeler. Merchandise were generally dumped on racks. Many FMCG items could have well been presented as blocks. Color blocking would have greatly enhanced the visual appeal.

Mali's feedback proved to be an eye opener. But then Reddy was not at ease. He knew he had lots to do before he could really pose to be a threat to his competitor.

Questions

1. Effective merchandise presentation in case of supermarkets can be a better alternative to enhancing store revenues rather than overall visual merchandising of a store. Discuss.
2. Apart from the suggestions offered by Anand Mali, will you like to suggest few other alternatives to Bhushan Reddy that can enhance his store's revenues?

Source: Roy, K., (2010) Retail Management: Managing Retail Stores, Vrinda Publications, Delhi, pp. 363-364

CASE STUDY

The Sizing Problem

Pam Lewis, the owner of the up-scale Pam's Place in the Chicago suburb of Lincolnshire, had just entered what was to be the last vendors showroom on her first day of this year's Dallas Apparel Market. She was excited about what she had seen that day and was already looking forward to a relaxing dinner with her former college roommate and the next two

days of buying. This last vendor was new to Pam, but she had heard other buyers saying wonderful things about it at the food court earlier that afternoon. Since it was near one of her Class A vendors, she decided to stop by.

Upon entering the showroom, Pam uttered her usual ‘What’s new?’ to the manufacturer’s sales rep. “Depends on how important it is to you to make your customers very happy,” was the quick reply. The salesperson then ushered Pam over to a display carrying slacks that featured a new fit technology. The key was the realization that a size 10 45- to 55-yearold women doesn’t have the same shape as a size 10 25-year-old. Based on this fact, a new sizing system, called Fitlogic, is being used by the manufacturer. It is based on three body shapes that represent the most common female figures: straight silhouette, curvy, and pearlike. These shapes are labeled 1, 2, and 3. Thus the vendor showed Pam three different size 12 slacks, (12.1, 12.2, 12.3), one for each body shape.

The salesperson went on to explain that for women in the over-35 crowd, 40 percent are a 1 shape, 40 percent are a 3 shape, and only 20 percent are a 2 shape, the silhouette currently used as the standard for sizing.

Pam remembered ‘recently seeing the developer of this system on television discussing why she thought it would revolutionize the way baby boomer women would purchase clothing. She even recalled an article in a trade journal about how a television shopping network, QVC, had great success with this concept. Still, she realized that the variety which would make the concept so appealing to her customers—multiple versions of the same size, each tailored to their body shape— would make it so unappealing to her as a buyer. After all, if she adopted the system for this line, she would have three times the number of items. They would require more display space, and create a greater risk of future markdowns. It was a breadth versus depth issue to Pam because carrying the extra sizes would mean she would have to drop some other merchandise. Thus Pam, despite liking the fashions she saw in the showroom, was undecided as she left to meet her ex-roommate, Pat Marion, for dinner.

That night over dinner Pam described her day, especially this new fit technology. It hit her that there might be something to the system when

Pat started telling her about Pat's troubles in taking back some clothes that didn't fit her correctly. They were either too tight or too loose. Pam remembered something said on that television show about how as women age, they not only change sizes but shapes. Twenty-five years ago, while in college, Pam and Pat were both a size 8 and often exchanged clothes. Now they were both size 12 but their shapes were entirely different. Maybe if she were able to offer a better fitting line of clothing, not only would sales increase but customer returns would decrease. Pam decided that she would revisit the showroom first thing the next morning and get more information about this sizing system.

Questions

1. What do you believe is most important to the average customer fit, price, style, or quality of workmanship? Which one do you believe is the greatest cause of customer returns?
2. Is this really a breadth versus depth issue?
3. Should Pam adopt this new sizing system? Explain your reasoning.

Source: Dune, Lusch, (2011) Retail Management, Cengage Learning, New Delhi, p. 240

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UNIT – IV

Unit Structure

Lesson 4.1 - Visual Merchandising

Lesson 4.2 - Merchandise Presentation and Techniques

Lesson 4.3 - Store Furniture and Atmospherics

Lesson 4.4 - Visual Communication

Lesson 4.1 - Visual Merchandising

Learning Objectives

- Understand the Visual Merchandising – Concept and Role
- Identify the Role and Influence of visual merchandising as a communication Tool

Introduction

Visual merchandising refers to the use and manipulation of attractive sales displays and retail floor plans to engage customers and boost sales activity. In visual merchandising, the products being sold are typically displayed in such a way as to attract consumers from the intended market by drawing attention to the product's best features and benefits.

Visual merchandising is the activity and profession of developing floor plans and three-dimensional displays in order to maximize sales. Both goods and services can be displayed to highlight their features and benefits. The purpose of such visual merchandising is to attract, engage and motivate the customer towards making a purchase.

Notes

Visual merchandising commonly occurs in retail spaces such as retail stores and trade shows.

**Concept**

The purpose of visual merchandising is to:

- Make it easier for the customer to locate the desired category and merchandise.
- Make it easier for the customer to self-select.
- Make it possible for the shopper to co-ordinate.
- Recommend, highlight and demonstrate particular products at strategic locations.
- Educate the customer about the product in an effective and creative way.

Techniques

Visual merchandising builds upon or augments the retail design of a store. It is one of the final stages in setting out a store in a way customers find attractive and appealing.

Many elements can be used by visual merchandisers in creating displays including colour, lighting, space, product information, sensory inputs (such as smell, touch, and sound), as well as technologies such as digital displays and interactive installations.

Tools

A planogram allows visual merchandisers to plan the arrangement of merchandise by style, type, size, price or some other category. It also enables a chain of stores to have the same merchandise displayed in a coherent and similar manner across the chain

Forms

Window displays: Window displays can communicate style, content, and price. Display windows may also be used to advertise seasonal sales or inform passers-by of other current promotions.

Food merchandising: Restaurants, grocery stores, and convenience stores use visual merchandising as a tool to differentiate themselves in a saturated market.

Visual Merchandising: Role and Influence as a Communication Tool

Some businesses maintain a minimum staff to reduce costs, which means it is even more important for the merchandise to sell itself. Greater effort must be spent on merchandise displays that make it easier for the customer to find and purchase the items they want or need. The basic objective for visual merchandising is a desire to attract customers to a place of business in order to sell the merchandise. Visual merchandising is offered to the customer through exterior and interior presentation. Each should be coordinated with the other using the store's overall theme. Creating and maintaining a store's visual merchandising plan, however, is not a simple task. It is necessary to continuously determine what the customer sees. This evaluation from the customer's perspective should start on the exterior and work completely through the interior of the store.

The art of increasing the sale of products by effectively and sensibly displaying them at the retail outlet is called as visual merchandising.

Visual merchandising refers to the aesthetic display of the merchandise to attract the potential buyers, prompt them to buy and eventually increase the sales of the store. In simpler words, visual merchandising is the art of displaying the merchandise to influence the consumer's buying behavior.

The store must offer a positive ambience to the customers, so that they will enjoy their shopping.

The location of the products in the store has an important role in motivating the consumers to buy them. Sensible display of the merchandise goes a long way in influencing the buying decision of the individual.

Proper Space, lighting, placing of dummies, colour of the walls, type of furniture, music, fragrance of the store all help in increasing the sale of the products.

Lighting is one of the critical aspects of visual merchandising. Lighting increases the visibility of the merchandise kept in the store. The store should be adequately lit and well ventilated. Harsh lighting should be avoided as it blinds the customers who walk into the store.

The signage displaying the name of the store or other necessary information must be installed properly outside the store at a place easily viewable to the customers even from a distance.

The retailer must be extremely cautious about the colour of the paint he chooses for his store. The paint colour can actually set the mood of the customers. The wall colours must be well coordinated with the carpet, floor tiles or the furniture kept at the store. Dark colours make the room feel small and congested as compared to light and subtle colours.

The store must always smell good. Foul smell irritates the consumers and he would walk out of the store in no time. Use room fresheners for a pleasant environment.

The merchandise must be properly placed in display racks or shelves according to size and gender. Put necessary labels (size labels) on the shelves as it help the customers to locate the products easily. Make sure the products do not fall off the shelves as it gives a messy look.

The dummies should be intelligently placed and must highlight the unique collections, latest trends and new arrivals in order to catch the attention of the individual. The dummies should not act as an obstacle and should never be kept at the entrance of the store.

Don't play blaring music at the store. It acts as a hindrance to effective communication and the retailer can never understand what the buyer actually intends to buy.

Select the theme of the store according to the season. Red should be the dominating colour during Christmas or Valentine's Day as the colour symbolizes love, fun and frolic. A white theme would look out of place during the season of love.

Don't keep unnecessary furniture as it gives a cluttered look to the store.

Why Visual Merchandising?

Visual Merchandising helps the customers to easily find out what they are looking for. It helps the customers to know about the latest trends in fashion.

The customer without any help can actually decide what he intends to buy. It increases the sales of the store and results in increased level of customer satisfaction.

The customers can quickly decide what all they need and thus visual merchandising makes shopping a pleasant experience.

Visual merchandising gives the store its unique image and makes it distinct from others. Visual merchandising, once an unknown skill, is growing popular nowadays with the introduction of self service in retail stores off late and the number of changes taking place in supermarket merchandising methods, there has been increased emphasis on the kind of store layout, store building, fixtures, and equipment, color displays, silent communication tools, window display and finally opinion building through in-store displays which has taken the art of retailing to higher applications frames.

To make effective the retail business one has to focus on the following critical issues of visual merchandising.

- a. **Graphics and signage:** Attention grabbing yet clear graphics by way to visually communicate the brand and these graphics when compiled with the right signage become the stalls complete instruction manual.
- b. **Trends and moot boards:** This is misunderstood by many as mere decorations for the stall. The brand sources and moot boards convey the source, in fact the mere need of the product for the consumer to the buyer. A good trend story board display can exhibit a thought process nursing for the inspirations (research, to swatch development of the final usage of the product.
- c. **Space management:** Most displays concentrate on the floor management of space. In order to create a complete desired ambience the ceiling space should also be given enough attention. Walls are not elastic space should be allocated to the available products as per the expectation of the customers to deliver best results.

The major issues of space management are:

- How do we want our ranges to look?
 - Hanging/ stocked/ customers etc.
 - What stock density do you want to achieve?
- d. **Numeric and visuals:** Numeric planning system simply allows users to account of space available and to calculate the ratios like returns on space. Visual systems allow users to create three dimensional walk through models of the stores and to preview the look of a store once ranging decisions have been made.
- e. **Dresiforms and mannequins:** The dresiforms communicate the 3 dimensional form of the product. Along with the fit a good mannequin can also be customized to communicate characters, for example, special kids wear mannequins with caricatured faces convey the playful mood of the collections.
- f. **Synergy among the different stalls:** A stall look should complement

the mood the whole fair too; be it a color scheme or some material used should also be incorporated in the stall.

- g. Out of the box thinking:** With so many stalls around, it sometimes focus some stock value to grab the attention of the buyers. Innovative ideas in displaying the mannequins, swatches etc can invite many more people to the stall.
- h. Merchandise planning:** The first function of merchandising planning is making a strategic plan, which is normally for five years or more and is used to set the critical success factors for merchandising in terms of sales, margins and stocks. In other words, merchandising planning is a systematic approach and aiming at maximizing return on investment, through planning sales and inventory in order to increase profitability.
- i. Range planning:** Begin with assortment plan. In assortment plan, the goal of merchandise plan are divided into specific lines in such a way that the division results in the increase of overall marginal mix. Then a distributions planning is done. The link between available physical space and ranging done here is a key determinant of merchandising performance.

Summary

Visual merchandising refers to the use and manipulation of attractive sales displays and retail floor plans to engage customers and boost sales activity. The purpose of such visual merchandising is to attract, engage and motivate the customer towards making a purchase. Visual merchandising commonly occurs in retail spaces such as retail stores and trade shows. Visual merchandising is one of the final stages in setting out a store in a way customers find attractive and appealing. Many elements can be used by visual merchandisers in creating displays including colour, lighting, space, product information, sensory inputs (such as smell, touch, and sound), as well as technologies such as digital displays and interactive installations. In simple words, visual merchandising is the art of displaying the merchandise to influence the consumer's buying behaviour. The location of the products in the store has an important role in motivating the consumers to buy them. Sensible display of the merchandise goes a long way in influencing the buying decision of the individual. To make

Notes

effective the retail business one has to focus on the following critical issues of visual merchandising, Graphics and signage, Trends and mood boards, Space management, Numeric and visuals, Dress forms and mannequins, Synergy among the different stalls, Out of the box thinking, Merchandise planning, Range planning, Merchandise Presentation refers to most basic ways of presenting merchandise in an orderly, understandable, 'easy to shop' and 'find the product' format. The selling space within a store happens to be the most crucial part of the store and hence retailers are found to adopt tactics that will utilize each square foot area of the selling space and will lead to maximization of sales.

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Lesson 4.2 - Merchandise Presentation and Techniques

Learning Objectives

- Know different Merchandise Presentation Techniques
- Examine the nature of vertical merchandising.

Introduction

Merchandise Presentation refers to most basic ways of presenting merchandise in an orderly, understandable, 'easy to shop' and 'find the product' format. With merchandise presentation techniques, a store does not just look good, it actually increases sale.

In a chain of stores, all outlets need to have the same look. To maintain a similar look in all the stores it is essential for a brand to have a Visual Merchandise Manual. This would have all details of Display areas, Signage, Checklists, Mannequin Maintenance, Fixtures, merchandise presentations, Hanger details, Visual Merchandise calendar (with budget details), etc. All aspects of Visual Merchandise are covered in the most simplified (pictorial) way so as to be understood by just anyone implementing the same.

The placement of merchandise that is arriving to the store can be planned out on paper by using a Plano gram before the products actually arrive at the store. Planogramming is an inventory control and merchandise display method that allows a retailer to maintain shelf inventory in an orderly way to improve efficiency and customer service.

The selling space within a store happens to be the most crucial part of the store and hence retailers are found to adopt tactics that will utilize each square foot area of the selling space and will lead to maximization of sales. Merchandise in the selling area needs to be appropriately highlighted so that it appeals to the customers and tempts them to go for purchase. A retailer should have a proper answer to certain questions before he

moves ahead with the task of designing displays that enhances his store's productivity:

- What is the image of the store?
- What is the target market for the store?
- What is the concept of merchandise to be displayed?
- Which merchandise should be displayed and which should not be and why?
- How the location will determine the design of the display?

There are various techniques of merchandise presentation. Basically, merchandise presentations are of two types viz. self-service presentation and full-service presentation. In self-service presentation, all the merchandise items are on the selling floor. This facilitates customers to find merchandise on their own, select them and bring them to the cashier before making payments. In full-service presentation, none of the items are placed on the selling floor. Select items may be on display but then customers will need to interact with the store's salespeople to get the items they are looking for. While supermarkets will have the former type of merchandise presentation, it will be the high-end lifestyle stores that often have the latter type of merchandise presentation.

Various Categories of Merchandise Items

There are various categories of merchandise at retail stores and suitable tactics are adopted to display them in such a way that complements the product category and the profile of the target market for the said category.

Daily Frequently Purchased Items

There are certain items in a retail store that cater to customer's needs (daily or frequent). A retailer needs to make sure such items are available. He can also place them in less appealing spaces of the store as because any customer will go that extra mile to search for it and pick it up from the store. Such merchandise items are referred as demand merchandise and a retailer needs to make an effort in placing the items at a place which will make the customers walk through the zone of impulse items in the store. Breads, biscuits and milk in a food and groceries store

and hosiery and lingerie items in an apparel store can be cited as examples of demand merchandise.

Impulse items

Impulse items are another merchandise category that is purchased by customers on a shopping trip for which they had not planned beforehand. The items secure attractive locations within a store. The locations are bound to arrest a shopper's attention. One such area of a store is near the till or the cash counter of a store. Cosmetics and perfumes in an apparel store and chocolates in a food and groceries store are examples of impulse items.

Complement Items

Products which complement or coordinate each other are often kept in close proximity at a store. This eases shopping for customers and aids the sales staff of a store to cross-sell items. Thus vegetable peelers can often be found near crates containing potatoes, onions, tomatoes etc. Glue sticks can be found near stationery items like paper, pens, pencils etc.

Seasonal Items

A particular zone of a retail store is often allocated for seasonal merchandise. The area needs to be one of the high visibility zones of the store and it is frequently redone to maintain excitement of the shopper and increase the interest of the shopper. An apparel retailer might be allocating a separate zone for rainy wears during the rainy season. A food and groceries retailer might display mangoes and litchis attractively in his store during the summer season.

Smaller departments within a store are often offered favorable spaces so that larger departments do not overshadow them. A Pantaloon store offers a distinct place to the cosmetics department so that the various departments and categories related to apparels do not overshadow the above said department.

It is thus found that merchandise items are categorized based on various parameters and they are accordingly displayed in the store to

maximize sales per sq ft. A sample merchandise layout plan for a sales floor of an apparel retailer dedicated to ladies wear will enhance the understanding of the topic.

An effective tool that considers the psychology of customer buying habits and helps the retailer to position his merchandise is a planogram. It is sometimes even referred to as plan-o-gram. We will discuss about Planograms in detail in the subsequent chapter.

Principles of Designing Displays

In order to create displays that will enhance a store's overall productivity, retailers need to have a working knowledge of the various principles of design viz. balance, proportion, rhythm, emphasis, colour, lighting and harmony. All the principles mentioned above needs to be looked at in detail so that they contribute to the overall atmospherics of a store. In one of the previous chapters on visual merchandising, we have already discussed in detail about colour and lighting.

Balance refers to the way items are displayed around an imaginary centerline. It involves equilibrium and weight of elements between two sides of a display. There are two types of balance:

- Formal
- Informal

Formal Balance means that there is an object on one side of the line and another object of equal size on the other side of the line and both the objects are at equal distance from the central line.



Informal Balance involves one big object on one side of the central line and the other smaller object on the other side of the line. It also often involves a large pale object on one side of the imaginary line and a bright but smaller object on the other side of the line. For effective displays, retailers should consider certain salient factors concerning balance.

Proportion refers to the size and space relationship of all items in a display. Suitable attention to proportion creates emphasis and captures attention of customers. If an item is inconsistent in area or dimension with neighboring items, it looks out of proportion. Adequate attention should be given to the proportion factor when repetitions are used in a display. Similar size objects should not be used in display as that creates monotony. One of the basics of proportion is to add odd number of smaller items to larger items and items should define one another to create more interest and desire to buy among customers.

Rhythm measures organized movement from object to object, from background to foreground and from one side to another side. It should ideally make the customer view the dominant objects on display first and then the subordinate objects. Rhythm in displays can be achieved by repetition of items or through progression of sizes of the items displayed. The items on display together should reinforce the selling idea behind merchandise. Overlapping of items is a good way to create rhythm.

Emphasis is the point of initial eye contact and is the formulation of focal point with everything else in display being subordinate. Each and every display should have emphasis which is to be created through colour or position of the item. The theme of a shop needs to be emphasized. There are various ways of creating emphasis like solitary items can be emphasized by blank space around. Shiny surfaces have been found to emphasize and enlarge objects.

Harmony creates consistency of mood by ensuring that all parts of a display relate to each other and to the whole display. There are three types of harmony viz. functional, structural and decorative. Functional harmony depicts the physical working of something. In other words it needs to be realistic in appearance. Structural harmony refers to the correct fitting of pieces into one another. The window display of a shop themed on adventure can ideally have fishing gear, pots and pans with a camp in background.

Decorative harmony involves items that are displayed to enhance the aesthetics of displays. A shop reflecting the onset of spring can have butterflies and certain seasonal flowers displayed to add to the mood of the season.

Common Errors in Displaying Merchandise

There are certain common errors that retailers often make while displaying merchandise at their stores. Some of them are:

- Too much merchandise
- Too little merchandise
- Lack of underlying theme
- Too many props
- Poorly selected props
- Displays changed rarely
- Limited or no display budget
- Lack of attention to detail

Retailers need to abstain from making the above mentioned errors else these will negatively impact the overall productivity of the store. Proper attention to details will attract customers, retain their attention, trigger impulse purchases and thus improve the sales revenues of a store.

Methods of Merchandise Displays

There are various methods of displaying merchandise at retail stores viz. blocking, stacking, facing, hanging and dumping.

Blocking is a display technique that presents merchandise items that are similar in size, shape, colour, brand or design in blocks. The technique utilizes both vertical and horizontal spaces available on shelves and racks and gives an impression of fullness. Blocking is a display technique which we often come across at supermarkets. There are basically four types of blocking viz. color blocking, size blocking, brand blocking and design blocking. Often we find a combination of these at one point of time.

Stacking is a display technique mostly found at apparel stores where shirts or trousers are found to be horizontally laid over one another. Jeans are also found to be displayed in similar fashion at departmental stores.

Facing is another display technique found at departmental stores like Pantaloons, Shoppers Stop, Westside and others. When the full frontal view of the merchandise is presented to the customer while it is being kept on shelves or racks is called facing. Facing is a display technique not just observed in case of apparels but also in product categories like books and CDs.

Hanging is a display technique where merchandise items are hanged through hangers either by presenting their full frontal view or partial view to the customer. Presenting the full view of merchandise to the customer is often not possible due to limitations of space or due to the type of fixture being used at the store. The display technique is exclusively used in case of apparels.

Dumping is a technique of merchandise display where products are randomly kept in dump bins or other such fixtures. Lower valued items or items that are more of impulse buys at stores are often displayed in this fashion near tills or billing counters or other such strategic locations at retail stores. Soft toys or goods meant for children are often found displayed using the dumping technique.

Shelf Labeling: An important aspect related to merchandise displays at retail stores that guides customers in their shopping process and allows them to seek information about products and brands without hassles is called shelf edge labels are mostly observed at supermarkets that deal with large volumes of merchandise items. Shelf edge labels are also often observed on racks displaying CDs and DVDs. However in such cases, the information contained is lesser compared to what shelf edge labels provide customers about FMCG products. Shelf edge labels provide information on the brand name, quantity, sub-brand (if any) and price. It helps customers with two vital pieces of information about a product which they otherwise would have to find by inspecting the product minutely and that is the net weight of an item and its price.

Following are the techniques which are usually undertaken by the marketers in order to present their Merchandise within their stores:

Idea Oriented Presentation

It is the method of presenting the merchandise based on a specific idea or image of the store.

Style/item Presentation

This is the most common technique of organizing the stock by style or item. This type of arrangement is commonly seen in discount stores, grocery stores, hardware stores, drugstores etc.

Colour Presentation

In this method the items are displayed by colour.

Price Lining

Organizing the merchandise according to price segmentation is seen under this type. It makes easy for the customer to locate the merchandise according to his choice of budget.

Vertical Merchandising

The arrangement of merchandise vertically with the use of walls or high gondolas so as to facilitate the customers to shop in a particular way may be top to bottom, left to right or going down to each column etc.

Tonnage Merchandising

This is a display technique where large quantities of merchandise are displayed together. Normally it is used to enhance and reinforce a store's price image.

Frontage Presentation

The technique of displaying the merchandise in which the retailer exposes as much of merchandise as possible to catch the customer's eye.



Summary

There are various categories of merchandise at retail stores and suitable tactics are adopted to display them in such a way that complements the product category and the profile of the target market for the said category. There are various methods of displaying merchandise at retail stores viz. blocking, stacking, facing, hanging and dumping. Blocking is a display technique that presents merchandise items that are similar in size, shape, colour, brand or design in blocks. Stacking is a display technique mostly found at apparel stores where shirts or trousers are found to be horizontally laid over one another. Facing is another display technique found at departmental stores. Hanging is a display technique where merchandise items are hanged through hangers either by presenting their full frontal view or partial view to the customer. Dumping is a technique of merchandise display where products are randomly kept in dump bins or other such fixtures. The techniques usually undertaken by the marketers in order to present their Merchandise within their stores are idea oriented presentation, style/item presentation, colour presentation, price lining, vertical merchandising, tonnage merchandising, frontage presentation.

Lesson 4.3 - Store Furniture and Atmospherics

Learning Objectives

- Identify the nature of the Store Fixtures
- Understand the Store Atmospherics

Introduction

One of the major ingredients of visual merchandising that has been found to create a strong differentiation for the retailers are the fixtures. Fixtures are largely responsible for imparting a distinct identity to stores and enhancing its image. They enhance customer's shopping experience as they convert retail stores into destinations of aspirations and desires. Fixtures have also been used by retailers as a cost-effective alternative to store renovations, Store renovations as such often involve prohibitive costs but with the effective utilization of fixtures stores can be offered a refreshing look and feel. Correct usage of fixtures that enhances product displays at stores can go a long way in improving the revenues of stores. Retailers need to go for fixtures that are in sync with the profile of target customers, store type and product category. For example, an apparel outlet dealing with jeans targeted at 15-30 age brackets should have rugged, unpolished metal fixtures to enhance the display of its products and to better appeal to the customers.

Store Furniture

Different types of furniture are used in an organization. As in the case of capital equipment, furniture is allotted to an individual who is normally the user. Some of the items of furniture are maintained for general purpose. These are under the control of the Administration Department. The new entrants are issued the furniture according to their functional requirements. Company norms are also established for different levels of officials. As many consider furniture a status symbol, there is a tendency to grab better furniture at the time of new purchases or when some senior

officially spares the furniture. Addition of furniture of a new design increases the variety of furniture. It becomes difficult to distinguish one item from the other as both items may have the same name. For example, chairs with minor difference in design, size, or appearance.



Proper codification helps in clear identification of each item and each item should be accounted for in the inventory. The responsibility of maintaining the inventory of furniture normally remains with the administration. In some organizations, this responsibility is given to the Materials Department or the Stores Division.



All furniture are numbered and its location is written on the furniture and a record of this is kept in a register. Annual verification of inventory of furniture is essential. It is essential that broken furniture is either repaired or condemned and removed from the inventory.

Store Atmospherics

The concept of “atmospherics” was introduced in the early 1970s. Since then, there has been a slow, but growing, interest in understanding and predicting the impact of the environment on consumer responses. The term “retail atmospherics” refers to all of the physical and nonphysical elements of a store that can be controlled in order to enhance (or restrain) the behaviors of its occupants, both customers and employees. These elements present a multitude of possibilities including ambient cues such as color, smell, music, lighting, and textures, as well as architectural and arti-factual elements. These environmental elements are being used by professional store designers and architects to create desired retail settings. Retailers use sounds, scents, and visual elements of the store atmosphere to produce desired images and to increase sales.



As a regular shopper you must have visited a number of shopping malls and shopping complexes your location and understood the strategic

importance of atmospherics and Retail Space Management which is vital to any form of retail business. Its significance emerges from the link between shopping behaviour and physical environmental factors. These physical environmental factors influence the perception of shopping duration spent and the evaluation of merchandise and hence it becomes important for the retailer to effectively plan and organise all the aspects related to atmospherics and retail space to be able to optimise scarce resources and improve profitability. Atmospherics refers to the physical characteristics associated with the store that includes interior and exterior elements, as well as layout planning and display. Atmospherics plays a major role in attracting customers to the store, improving the quality of service experience, creating a brand positioning for the outlet, and improving customer retention rates.

Importance of Atmospherics Planning

Atmospherics planning is increasingly gaining relevance for all kinds of retail setups like planned shopping centers and life style stores. Where exterior atmospherics refers to the aspects like store front, display windows, surrounding businesses, look of the shopping center etc, while interior atmospherics refers to aspects like lighting, color and dressing room facilities that enhance the display and provides customer with information. Therefore, Atmospherics plays an important role in creating a brand positioning for the outlet, attracting new customers, facilitating better organization of the store and its merchandise and enriching the shopping experience. The role of Atmospherics in Retail Strategy is mainly to:

- Enhances the image of the retail outlet and attract new customers,
- Creates a definite Unique Selling Proposition (USP),
- Facilitates easy store movement and access to merchandise,
- Ensures optimum utilization of retail space,
- Reduces product search time for the customer,
- Reinforces the marketing communication of the outlet and influence the service quality experience.

The physical surroundings, in service settings such as retail outlets, are vital signs to service quality expectations. Some of these are:

- The choice of fixtures, decor and signage can greatly alter consumer perceptions of a store.
- Signs indicate services offered and often hang above or behind the service counters. Effectively placed signs can help to reinforce customers in their role in service encounters.
- Uniforms, or similar attires for employees, help alleviate customer anxiety as they feel embarrassed to ask if somebody works there. It also reassures customers that the service employee is a professional.
- Inexpensive and cheap fixtures may indicate that the retailer cuts corners, while overly expensive fixtures may indicate that the retailer is making large profits and over-pricing products. Hence, quality of fixtures is a symbolic cue to the consumers.
- In-store elements such as colour, lighting, and music may have a bigger effect on purchase decisions than other marketing inputs such as advertising or point-of-purchase displays.
- Background music enhances customer perception of the stores atmosphere and influences the amount of time a customer spends in a store. An added benefit is that employees perform better when there is background music, which increases job satisfaction.
- All these settings contribute to an integral part of the service quality experience for the customer.

Environment should be constructed to encourage or discourage approach behaviours. To support this statement, three immediate effects of retail unit environment stimuli have been identified, which are:

- **Pleasure-Displeasure**, which entails whether shoppers have perceived the environment as enjoyable or not enjoyable. For example, playing classical music in Hindi should enhance shoppers' enjoyment in specific kind of service settings in North India, whereas same music might diminish shopping experience in Punjab retail units.
- **Arousal** assesses the extent to which environment stimulates the shoppers in particular environment. Playing slow instrumental music may result in subdued activity level from customers in service settings such as restaurant relative to no music or fast

music. Therefore, nature of music in specific retail environment can decrease or increase in arousal.

- **Dominance** concerns whether customer feels dominant (in control) or submissive feels (under control) in the service environment. This is a feeling that could be related to environmental aspects like the height of the ceiling that makes one feel small (in control). Individuals associate the color red with active, assertive, and rebellious moods whereas they associate blue with sedate tranquility and a suppression of feelings. The nature of mood that needs to be portrayed therefore lies in the right choice of colour.

Key Components of Retail Atmospherics

The essential inputs of atmospheric design like the use of lighting, colour, and signage, plays a valuable role in both interior and external atmospherics and also in visual merchandising. Likewise, the nature of physical materials used and wall painting also play an important role in the following key four components of retail atmospherics i.e.;

- 1) Internal atmospherics
- 2) External atmospherics
- 3) Store layout
- 4) Visual merchandising

Internal Atmospherics

Interior atmospherics refers to all aspects of physical environment found inside the store. Point-of-purchase interaction and retail unit decoration influences the customer and in turn sales of the retail unit. Store physical environments have influence on shopping behaviour through mediating emotional states. The retail unit environment contains various stimuli that might be perceived by the customer's senses and each stimulus offers many options with regard to shopping behaviour. For example, store music varies by volume, tempo, pitch and texture and by the specific songs played. In addition, various individual stimuli can be combined to create unique atmospheres. To project an upscale image, a retail owner/manager choose folk music, modest colours, elegant perfumes, cool temperatures, inadequately displayed merchandise, and low lighting.

External Atmospherics

Exterior atmospherics refers to all aspects of physical environment found outside the store which includes store entrances, main board, marquee, windows and lighting etc. Storefront of every retail store exhibits a specific image such as traditional, up market or discount store to the shopper. In competitive markets, retailers can use the storefront as a strong differentiating factor and attract and target new customers. The major influencing aspects of external atmospherics can be discussed as below:

- **Retail Store Entrance:** In India, most of the traditional retail stores enjoy open entrance with no provision for entrance doors and security guards while in some leading markets retailer or owners of the stores even stand outside and invite passing by shoppers to visit their store and communicate the availability of specific merchandise. New age planned shopping centers and retail stores ensure accessibility to all customers, including those using wheel chairs and also provide for security of the store when it is closed. Most of the independent retailers prefer open entrances even in central district markets which are open market areas, in order to place a part of their merchandise outside the store. The most common store entrance alternatives used these days are: shutter-covered, modular fabrication, pre-fabricated structure and in prototype storefront.
- **Display Windows:** Display windows are very common features among retailers dealing in garments and gifts items. This feature is even very prevalent among small towns' retailers. For example, Titan watches provides valuable inputs to Time Zone (First organised chain of retail stores in India) franchisers to install impressive moveable windows to display their merchandise, which not only communicate with prospective shopper but also attracts new customers to the store.
- **Marquee or Sign Board:** A marquee includes painted or neon light, printed or script, and store name alone or mixed with trademark and other important information. Pizza Hut, McDonald, Barista, and Bombay Selection owns widely acknowledged marquee. In India, most of the independent retailers use tin board and get it

painted to place it outside the storefront. The quality of marquee influences the image of the store perceived by the customers.

- **Parking Facilities:** Parking facilities play an important role in the success of a retail firm. The importance of parking facility is of great significance in urban shopping center where number of car owners is increasing day by day and want to drive to shopping centers. Limited or no parking facility in traditional centers is attributed to less than, one per cent ownership of automobiles in India. At the same time, Indian consumers prefer to purchase from the nearby shopping center which can be approachable by walk or public transportation. Therefore, this aspect was remained neglected for long.

Store Layout

Store layout refers to the interior retail store arrangement of departments or groupings of merchandise. It involves decision about allocation of floor space, product groupings and nature of traffic flow. Nature of traffic flow can take the form of straight or Grid traffic flow, Free-form flow (curving) or racetrack flow. Some retailers also operate a storied layout to meet their specific requirements.

Visual Merchandising

Visual merchandising includes various aspects like: store floor plan, store windows, signs, merchandise display, space design, fixtures and hardware, and the elements that come with it which may be too many to mention. Visual Merchandising has been around since the dawn of civilization, since humans started selling merchandise to a customer. Visual Merchandising has become more sophisticated and more encompassing than arranging merchandise for easy access to customers. Visual Merchandising elements are put into practice from designing the floor plan of the store to the beautiful mannequins that grace the store floor.

When buying store fixtures and display merchandise for a retail store, a number of factors must be considered to be able to make the best possible choice. Some of the key factors are discussed below.

Product Line

Characteristics of merchandise need to be considered while deciding the fixtures to be used for display. Wooden racks or shelves can be effectively used for apparel or packaged FMCG products. However, mirrored showcases are preferred for jewelry or gift items since they ensure better safety and presentation.

Customer Profile

Retailers have to take into consideration the profile and expectations of its target segment. Stores, which primarily cater to functional rather than hedonic needs, do not require very fancy fixtures. Hence they can reduce intensive investments in fixtures and pass on the benefits to the customer.

Examples of such stores are 'Kirana' shops, chemist store, and other neighbourhood stores. Many smaller eating joints and 'Dhabas' use inferior quality or low cost furniture and fixtures. This is done keeping in mind the socio-economic profile of its customers and also the fact that customers do not expect Dhabas to provide fancy and expensive decor. Stores targeting the high-end customers invest a lot in fancy and unique fixture design and arrangement to generate an exciting and inviting store environment, thereby attracting customers and building its store image.

Level of Competition

Level of competition is a significant factor in determining the kind of fixtures to be used by a retailer since it provides him with a unique selling proposition. For instance, most of the eating joints and garment stores in urban centers of India were using very limited display options. However the advent of international players such as McDonald's, KFC, Marks and Spencer, Benetton, Levy etc. the more up-market retailers are pushed to refurbish their display and interiors to keep pace with competition and continue to attract customers.

With a theme of the display determined and the location for it planned, the retailer needs to examine the components of the display. The various components of the display are as follows:

Wall Displays

Wall Displays refers to slatwall panels and fixtures, gridwall panels and displays, slotted wall standards, face-outs, hangrails, and shelving.

Floor Fixtures

Gridwall panels and accessories, garment racks, display cases and counters, metal shelving gondolas, floor and cube merchandisers. A dump display is merchandise displayed by being dumped or heaped in a pile, usually in a bin or on a table. Dump display can be used as Bulk Dump Display and Dump Table Display.

Display Products

Display Products like mannequins and body forms, clear acrylic displays, countertop and jewelry displays, Supplies and Equipment: include hangers and steamers, tagging supplies and labelers, packaging and shopping bags, etc.

Promotional Items

Promotional Items like window signs and banners, sign holders and sign cards, sale tags and tickets. These items should be used to enhance the product for sale or help in furthering the story or theme

Lighting Fixtures

Lighting Fixtures include track lighting and accessories including rope lights. It is important to use proper lighting to make the product “pop” in the display. Incandescent spots are very effective here. Lighting needs to come from more than one direction for a balanced presentation.

Signage

Signage should be professional, never handwritten, and regardless of the size. Bin tags, bin labels, peg tags, shelf labels, planogram tags. Shelf tags aid in the proper placement of product and frequently include price information for customers in lieu of price marking the individual items.

Summary

One of the major ingredients of visual merchandising that has been found to create a strong differentiation for the retailers are the fixtures. Fixtures are largely responsible for imparting a distinct identity to stores and enhancing its image. The term “retail atmospherics” refers to all of the physical and nonphysical elements of a store that can be controlled in order to enhance (or restrain) the behaviors of its occupants, both customers and employees. These elements present a multitude of possibilities including ambient cues such as colour, smell, music, lighting, and textures, as well as architectural and arti-factual elements. Retailers use sounds, scents, and visual elements of the store atmosphere to produce desired images and to increase sales. The role of Atmospherics in Retail Strategy is mainly to enhances the image of the retail outlet and attract new customers, creates a definite Unique Selling Proposition (USP), facilitates easy store movement and access to merchandise, ensures optimum utilization of retail space, reduces product search time for the customer, reinforces the marketing communication of the outlet and influence the service quality experience. The essential inputs of atmospheric design like the use of lighting, colour, and signage, plays a valuable role in both interior and external atmospherics and also in visual merchandising. Four components of retail atmospherics are internal atmospherics, external atmospherics, store layout visual merchandising. Interior atmospherics refers to all aspects of physical environment found inside the store. Exterior atmospherics refers to all aspects of physical environment found outside the store which includes store entrances, main board, marquee, windows and lighting etc. Store layout refers to the interior retail store arrangement of departments or groupings of merchandise. It involves decision about allocation of floor space, product groupings and nature of traffic flow.

Lesson 4.4 - Visual Communication

Learning Objectives

- Understand the nature of visual communication
- Know the Various Visual Communication tools

Introduction

Visual merchandising includes various aspects like: store floor plan, store windows, signs, merchandise display, space design, fixtures and hardware. Characteristics of merchandise need to be considered while deciding the fixtures to be used for display. Retailers have to take into consideration the profile and expectations of its target segment. Level of competition is a significant factor in determining the kind of fixtures to be used by a retailer since it provides him with a unique selling proposition. Wall Displays refers to slat wall panels and fixtures, grid wall panels and displays, slotted wall standards, face-outs and shelving.

Promotional Items like window signs and banners, sign holders and sign cards, sale tags and tickets should be used to enhance the product for sale or help in furthering the story or theme. Lighting Fixture is important to use proper lighting to make the product “pop” in the display. Visual communication basically includes Lighting, Colour, Music and Scent.

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Lighting

Lighting helps in guiding the attention of customers to the merchandise on display. It has been observed that a customer's eye is drawn automatically to the brightest item or area within a store. Lighting guides customer attention to part of a display area, a specific item in the display or to coordinate parts of the total display area. As a rule of thumb

in retail, display lights need to be two to five times stronger than the lights in other parts of the store.

Lighting is of two types – primary lighting and secondary lighting. Primary lighting includes the overall illumination of the store using fluorescent or incandescent lights. The lighting outside the store, at the walks and entry, the general lobby area and the general lighting in the selling floor area are all an integral part of primary lighting. Secondary lighting provides illumination for designated display areas. They highlight the best aspects of merchandise and enhance their visual appeal. Candles, spotlights and other forms of lighting are used for secondary lighting. The angle and shade of lighting play a crucial role as far as defining the outcome of secondary lighting in a store is concerned.

Lighting is an important but often overlooked element in successful store design. Lighting has following advantages:

- Highlight merchandise
- Capture a mood
- Level of light can make a difference
 - Blockbuster
 - Fashion Departments

Colour

Colors have been found to contribute significantly to customer's impression of displays well as a store's overall appearance. The right color combinations of ceiling, walls, floor covering and overall décor have often been found to enhance the visual appeal of a store. The right colors favorably impact a shopper's attitude towards buying. There are two types of colors found in retail store viz. warm and cool colors.

Warm colors include red, yellow, orange along with colors like red or yellow hues like yellow-green, beige, peach and brown. Warm colors emanate a feeling of warmth and hospitality. They make a room appear smaller while making objects in the room appear larger. Cool colors include blue, green and violet. The colors create a relaxing atmosphere and tend to make a room appear larger and more spacious. Different colors have been found to trigger different emotional responses among

the customers. A store is often found to alter the color of the interiors with the change of season or during festivals to complement the mood of the season or the festival.

Colour can influence behaviour in the following manner:

- Warm colors increase blood pressure, respiratory rate and other physiological responses – attract customers and gain attention but can also be distracting
- Cool colors are relaxing, peaceful, calm and pleasant – effective for retailers selling anxiety-causing products

Music

Music is played in many stores from the local discount hardware store to the supermarket. Relaxing music or even something different from what customers normally experience tends to encourage people to stay and linger near displays, thus increasing exposure and sales.

Music affects shopping time perception. The nature of music - foreground music or background music would have a differential effect based on the age of the shoppers. Music also affects actual shopping times. Individuals tend to stay longer when listening to the slow music compared to the fast music. How loud is the music and length of the song also makes a difference. There is conventional wisdom, which says that “time flies when you are having fun.” Nevertheless, the type of music could mediate this. Therefore, retailers must make very conscious efforts to select music based on its listener responses and familiarity as well as its other qualities.

Environmental music varying in its perceived familiarity to the shoppers might affect individuals engaged in shopping activity. Individuals listening to familiar music will be more aroused and will spend more time shopping than individuals listening to unfamiliar music. This makes it imperative for the retailer to choose familiar music that is in tune with consumers from the primary trading area. This can also positively effect product evaluations. Individuals feel more comfortable in an environment featuring familiar atmospheric elements. The music is often viewed as valuable marketing tool and it is often customized to customer demographics.

Scent

Scent can influence emotions as well as the behaviour of the footfalls. It can be administered through time release atomizers or via fragrance-soaked pellets placed on light fixtures.

Displays

Display refers to the visual and artistic aspects of presenting a product to a target group of customers. Visual merchandising, by contrast, encompasses the visual and artistic aspects of the entire business environment. A display generally has about four to six seconds to attract a customer's attention, create a desire, and sell a product. This limited time frame means that a business must target its displays carefully.

Display design involves five steps: selecting the merchandise for display, selecting the display, choosing a setting, manipulating artistic elements, and evaluating completed displays.

- Selecting the merchandise for display. Display merchandise must be visually appealing and appropriate for the season.
- Selecting the display. There are three basic types of display:
 - a. One item display, showing a single item
 - b. Similar-product display, showing one kind of item from several different brands
 - c. Related-merchandise display, grouping items that can be used together
- Cross-mix merchandise display, featuring mixed merchandise that creates a scene.
- Choosing a setting. The setting a business selects will depend largely on the image it wants to project. Settings can be:
 - a. Realistic
 - b. Semi-realistic
 - c. Abstract
- Manipulating artistic elements. The artistic elements of a display are:

- a. Line
- b. Colour
- c. Shape
- d. Direction
- e. Texture
- f. Proportion
- g. Balance
- h. Motion
- i. Lighting

► Evaluating Completed Displays, such as:

- a. Do they enhance the store's image, appeal to customers, and promote the product in the best possible way?
- b. Was a theme creatively applied?
- c. Were the color and signage appropriate?
- d. Was the result pleasing?

Once a display has been constructed, it needs to be maintained and eventually dismantled. Most businesses check displays daily for damage, displacements, or missing items caused by customers handling the merchandise. Poor maintenance can create a negative image of both the merchandise and the store.

Point-of-Purchase Displays (POPs)



POPs are consumer sales promotion devices that hold, display, or dispense products. They promote impulse purchases. Examples include vending machines and racks holding candy at a checkout stand. A point-of-purchase display is designed to provoke impulse purchases as the customer is

waiting to pay for his or her purchases. They are designed by the manufacturer and usually found near a cash register.

Summary

Visual merchandising includes various aspects like: store floor plan, store windows, signs, merchandise display, space design, fixtures and hardware. Characteristics of merchandise need to be considered while deciding the fixtures to be used for display. Retailers have to take into consideration the profile and expectations of its target segment. Level of competition is a significant factor in determining the kind of fixtures to be used by a retailer since it provides him with a unique selling proposition. Wall Displays refers to slat wall panels and fixtures, grid wall panels and displays, slotted wall standards, face-outs and shelving.

Promotional Items like window signs and banners, sign holders and sign cards, sale tags and tickets should be used to enhance the product for sale or help in furthering the story or theme. Lighting Fixture is important to use proper lighting to make the product “pop” in the display. Visual communication basically includes Lighting, Colour, Music and Scent. Display refers to the visual and artistic aspects of presenting a product to a target group of customers. Display design involves five steps: selecting the merchandise for display, selecting the display, choosing a setting, manipulating artistic elements, and evaluating completed displays.

Self Assessment Questions

1. Explain the concept of Visual Merchandising?
2. Examine the Role and Influence of visual merchandising as a communication Tool.
3. Discuss the different Merchandise Presentation Techniques.
4. Examine the nature of vertical merchandising.
5. Explain the different types Store Fixtures
6. Examine the concept of the Store Atmospherics.
7. Examine the nature of visual communication
8. What are the various Visual Communication tools?
9. Explain Displays and POPs.

CASE STUDY

Visual Merchandising Gone Wrong!

Ankit Jam, son of a very successful Delhi-based businessman decided to venture into the business of speciality retailing after his MBA. Café shops had always earned a special place in his heart since his college days and so he decided to open a café shop near Vikaspuri.

Location wise, Café Point, Ankit's brainchild was perfect. The place was in the vicinity of several management and general colleges. Also, there were various shopping malls and big brand retail stores nearby. In short, the café shop was ensured of garnering both eye balls as well as footfalls.

The exterior presentation of the store was perfectly done. The exterior sign along with well defined walks and entry with some amount of landscaping in front was just perfect for any potential customer to drop in and check out the shop and its services.

Ankit had a friend who was in a placement consultancy firm who helped him source the right kind of manpower for Café Point. The service staffs were found to be quite skilled in customer service and product knowledge. Café Point, apart from offering Coffee also offered pizzas, burgers, pastries, fruit juices etc. It was found that during the day, Café Point mainly had visitors who were college goers but in the evenings or during the weekends, there were many families who were frequenting the shop

The color scheme that Ankit decided upon for his shop was grey interiors and the dresses of his service staff were also of the same color to bring in consistency. The mats on the tables were also of the grey color and the shop was dimly illuminated most of the time. Instrumental music was mostly played at the shop.

After a span of some 3-4 months, Ankit noticed that there was hardly any additional footfall in the store. Actually footfalls had dropped and most of the customers who visited the shop were new faces. It meant that people who had once experienced the shop did not feel like coming back which was quite contrary to what is observed among customers in

the context of café shops. They generally like to hang out at their favourite café shops. What was wrong? Ankit pondered. He had a great service staff, had competitive menu and above all, his shop was at a great location.

Questions

1. Comment on the retail marketing mix adopted by Ankit Jam for Café Point?
2. Identify the shortcomings in the visual merchandising strategy adopted by Ankit?
3. What are your recommendations that will allow Ankit to enhance footfalls at his shop and make repeat customers visit Café Point?

Source: Roy, K., (2010) Retail Management: Managing Retail Stores, Vrinda Publications, Delhi, pp. 373-374

CASE STUDY

The Unique Shop

You are the facilities manager for a chain of six women's apparel stores called the Unique Shop. The chain, which targets younger women, has its flagship store in the strip center near a college campus in a city of 120,000. The 15,000-square-foot store, which was last remodeled twelve years ago, has experienced consistent sales increases in recent years. However, the company president believes the store is missing even more sales since many competitors have left the campus area for one of two malls on the outskirts of the city.

Hoping to take advantage of this lack of competition, the president has budgeted about \$400,000 for expansion next year. She plans on leasing the 5,000-square-foot empty storefront next door and increasing the aisle widths and number of dressing rooms while maintaining the same level of inventory.

The merchandise manager, however, recommends that the \$400,000 be used to buy new fixtures to increase the merchandise capacity of the existing store. His idea is to shrink the width of all aisles, fit

more bulk fixtures on the floor, and double-stack all merchandise. After all, without these new racks and shelves, customers won't be able to see the merchandise. And if customers can't see the merchandise, they can't buy it.

When walking the store last week you noticed that the merchandise is already crammed in too tightly and that customers were having trouble putting unwanted merchandise back on the racks and shelves. You also felt that there were too few feature presentations to support your fashion apparel. Finally, it bothered you that there was not a clear distinction between the various departments within the store.

The president and the marketing and merchandising personnel must understand their target customer groups to make the expansion plans most effective. If the store adds more merchandise, what type of merchandise should be added, targeting which types of customers? Even if little new inventory is added, what types of departments should be made distinctive?

Questions

1. What do you feel is more important for customers: increasing store space, which will take longer, and be more difficult, or adding more racks to the present store? Why?
2. If increasing total sales is the goal, which plan would you recommend? Explain your reasoning.
3. Describe some of the market segments that can be found in the customer category young women." How do their lifestyles influence different clothing needs? How could you use your customer base to help you decide which new merchandise categories to carry?
4. Could the president consider subleasing parts of a larger store to a compatible merchant? For example, should the store consider a coffee bar or a vintage clothing shop? What are some of the considerations in this decision?

Source: Dune, Lusch, (2011) Retail Management, Cengage Learning, New Delhi, p. 349

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UNIT – V

Unit Structure

Lesson 5.1 - Store Management

Lesson 5.2 - Store Records and Accounting System

Lesson 5.3 - Material Handling in Stores

Lesson 5.4 - Mall Management

Lesson 5.1 - Store Management

Learning Objectives

- Understand the Responsibilities of a Store Manager
- Know the Problems of Parking Space at Retail Centers

Introduction

Effective store management can have a significant impact on a retail firm's financial performance. Store managers increase profits by increasing labour productivity, decrease costs through labour deployment decisions, and reduce inventory loss by developing a dedicated workforce. Increasing store employees' productivity is challenging because of the difficulties in recruiting, selecting, and motivating store employees.

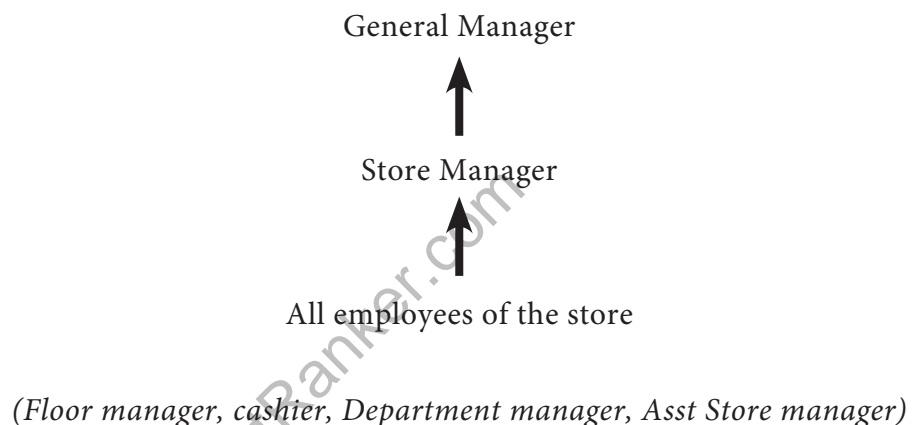
Employees typically have a range of skills and seek a spectrum of rewards. Effective store managers need to motivate their employees to work hard and develop skills so they improve their productivity. To motivate employees, store managers need to understand what rewards each employee is seeking and then provide an opportunity for that employee to realize those rewards. Store managers must establish realistic goals for employees that are consistent with the store's goals and motivate each employee to achieve them.

Store managers must also control inventory losses due to employee theft, shoplifting, and clerical errors. Managers use a wide variety of methods to develop loss prevention programs, including security devices and employee screening during the selection process. However, the critical element of any loss prevention program is building employee loyalty to reduce employee interest in stealing and increase attention to shoplifting.

Store Manager

An individual responsible for managing the overall functioning of the store is called a store manager. A store manager takes care of the day to day operations of the store and ensures maximum profitability for his store. In simpler words a retail store is a store manager's baby.

Hierarchy:



Responsibilities of Store Manager

Recruiting employees for the store is the store manager's prime responsibility. He not only has to hire the right candidates for the store but also train them for their overall development. He must ensure that all the employees (floor manager, department manager, cashier and so on) contribute to their level best for the effective functioning of the store. He must act as a strong pillar of support and stand by his team at the hour of crisis. It is his duty to acquaint his team members with the latest trends in fashion or any other newly launched retail software. It is his responsibility to delegate responsibilities to his subordinates according to their specializations and extract the best out of them. The store manager must motivate his team members from time to time.

The store manager must make sure his store is meeting the targets and earning profits. He is responsible for the smooth and effective functioning of the store.

The store manager is responsible for maintaining the overall image of the store. It is his duty to sensibly display the merchandise so that it immediately catches the attention of the customers. The store manager must ensure that his store meets the expectations of the customers and lives up to its predefined brand image. He must ensure:

- The store is kept clean
- Shelves and racks are properly stocked and products do not fall off the shelves.
- Mannequins are kept at the right place to attract the customers into the store and rotated frequently.
- The merchandise should be according to the season as well as the latest trends.
- The store is well lit, ventilated and offers a positive ambience to the customers.
- The signage displaying the name and logo of the store is installed at the right place and viewable to all.
- One of the major responsibilities of the store manager is to make the customers feel safe and comfortable in the store. It is his key responsibility to make sure that the customer leaves the store with a pleasant smile.
- He is responsible for managing the assets of the store. The security and safety of the store is his responsibility. The store manager must ensure that sufficient inventory is available at the store to avoid being “out of stock”.
- He along with his subordinates are responsible for planning, managing profit and loss, handling cash at the store as well as collating daily sales as well as other necessary reports.
- He must ensure that the store is free from pilferage

A store manager is the person ultimately responsible for the day-to-day operations (or management) of a retail store. All employees working

in the store report to the store manager. A store manager reports to a general manager. Responsibilities of a store manager may include:

- Human Resources, specifically: recruiting, hiring, training and development, performance management, payroll, and schedule workplace scheduling
- Store business operations, including managing profit and loss, facility management, safety and security, loss prevention (shrink), and banking
- Product management, including ordering, receiving, price changes, handling damaged products, and returns
- Team Development, facilitating staff learning and development
- Problem solving, handling unusual circumstances

Sales Generation

A store manager must meet monthly, quarterly, or annual sales goals, depending on the company's fiscal cycle. This involves setting individual sales goals (quotas), holding contests for employees, or offering sales promotions. The manager may also receive a monetary incentive (or "bonus") tied to financial performance over a specific period. This incentive may be based on net sales, profitability, or both. Thus, the store manager may be forced to reduce payroll expenditures by decreasing employees' hours, or otherwise reducing operating cost. A store Manager should Motivate his team to achieve the target set for the store by Using some different activities. A store manager should set an example for his/her subordinates to follow.

Safety and Security

The General Manager must post Material Safety Data Sheets for their employees for any hazardous materials used in the store.

The Store manager is the store's primary key-holder and may be called to the store before, during, or after business hours in the event of an emergency. They are also responsible for the safety of all customers and employees on store premises.

Division of Responsibility

A store manager may have several subordinates who have management-level responsibility. These employees may be called assistant managers, department managers, supervisors, key-holders, shift leads, or leads. A store manager has over-all responsibility for all day to day activity of the store. Managing and controlling staff, and planning are essential points of the store manager.

Hiring, Training and Development

The store manager is responsible for hiring, training, and in some cases, development, of employees. The manager must ensure staffing levels are adequate to effectively operate the store, and ensure employees receive training necessary for their job responsibilities. Managers may be responsible for developing employees so the company can promote employees from within and develop future leaders, potentially for employment at other locations. The role of store managers with regards to the other employees varies from company to company and each respective company's operating methods but in general a store manager will be required to deal with and try to solve any issues adversely affecting an employee's work. This is done to prevent a drop in productivity and to make sure that the employee seeking help doesn't end up being a casualty of the necessary role of firing long-term inefficient workers.

Visual Merchandising and Inventory Control

Store managers ensure that visual merchandising is consistent with customers' expectations of the brand. In retail locations, store managers are responsible for visual merchandising. Many companies communicate how to merchandise their stores using direction such as planograms to indicate product placement. While managers have a varying degree of autonomy in deviating from corporate direction, it is important to ensure that stores are compliant with the company's brand image. Managers must ensure that the proper amount of inventory is displayed for customers to purchase, by ensuring that shelves and racks remain stocked and that product is frequently rotated out of storage areas. Managers are also concerned with shrinkage, and must ensure that merchandising techniques and customer service skills minimize the possibility of product being stolen.

Cash Handling

One of the most important aspects of retailing is cash handling. It is essential for the retailer to track the daily cash flow to calculate the profit and loss of the store. Cash Registers, electronic cash management system or an elaborate computerized point of sale (POS) system help the retailer to manage the daily sales and the revenue generated.

Store Security and Safety

A store manager in connection with store security and safety must ensure the following things:

- The merchandise should not be displayed at the entry or exit of the store.
- Do not allow customers to carry more than three dresses at one time to the trial room.
- Install CCTVs and cameras to keep a close watch on the customers.
- Each and every merchandise should have a security tag.
- Ask the individuals to submit carry bags at the security.
- Make sure the sales representative handle the products carefully.
- Clothes should not have unwanted stains or dust marks as they lose appeal and fail to impress the customers.
- Install a generator for power backup and to avoid unnecessary black outs.
- Keep expensive products in closed cabinets.
- Instruct the children not to touch fragile products.
- The customers should feel safe inside the store.
- The retailer must ensure to manage inventory to avoid being “out of stock”.
- Every retail chain should have its own warehouse to stock the merchandise.
- Take adequate steps to prevent loss of inventory and stock.

Parking and Security Risks

The attraction of new and large retail formats adds a new dimension to be decided i.e. security in the parking areas. In addition to bike patrols and truck/car patrols. The youth groups should be kept away from gathering in the parking lots. A sound system may be added in the parking lot that plays classical music at all times. This results in reduction of the youth groups loitering around. Future parking lots should have “high speed” entrances and exits, frequently seen at airports, to allow customers to get in and out quickly. The parking lots floors themselves then do not become ramps but instead become flat parking areas. As far as leasing goes, we should encourage more stores to construct entrances to their stores from the parking lots, since so many customers are using parking lots.

In any new parking structure, security is a paramount issue. However, in a multi-use structure, assuring a safe parking experience can be more challenging, since the structure may serve a number of types of parkers. For instance, if the facility’s primary constituencies are comprised of retail and student parkers, security features must be able to accommodate both groups, each of which will have different parking habits. Shoppers, for example, are more likely to be short-term parkers. They will only be in the structure for a couple of hours, and the latest they are likely to leave the building is when the stores close. On the other hand, students are more likely to be long-term parkers, and may need to use the structure late into the night if they stay on-campus to study after their classes are over,

Parking

The single most important factor that would have a significant impact on a traveling shopper in this vehicularised scenario would be parking space. The most desirable and least expensive way to provide the required parking is to build a surface lot. In some areas, land is hard to purchase. Therefore, structured parking is a common alternative. However, there are drawbacks to building a parking structure. They can be extremely difficult to be made aesthetically pleasing and can absorb a significant amount of the construction budget.

Parking lots should have a pleasant environment. No one wants to enter an environment where one feels unsafe. Historically, urban parking facilities have this reputation. The dark walls and ceilings are cold and claustrophobic. Poor lighting and endless spaces invite feelings of uncertainty and insecurity as patrons search for an elevator. In contrast to this, with on-grade parking, visitors feel more comfortable walking in the open when they can simply walk directly to a well-marked mall entrance. This is particularly true if open areas are well lit and attractive. Landscaping makes the parking lot even more friendly and pleasing to the eye.



Location for Parking

The location of the parking structure is also a major consideration. Building parking lots under retail buildings is the least desirable option. This route requires telegraphing a support system for the above building structure down through the parking deck. Builders must use beams to bring the building loads onto a column spacing that is compatible with the geometry of parking structure. In this scenario, the added support structures may hinder the optimum open feeling. A column-reducing strategy is to develop a long-span layout. Short-span parking structures usually require more support columns per space. Besides giving a feeling of openness, long-span systems make maneuvering in the parking lots easier.

Traffic flow within a structure is yet another consideration with express ramps offering another opportunity to improve parking lots. Mall owners build express ramps to direct the flow of traffic from one

floor to the next. These ramps can skip floors for quick entrance and exit to upper levels. With no cars parked on the ramps, traffic does not have to yield to cars or pedestrians exiting or entering designated spaces. However, parked ramps yield more parking spaces. Owners need to weigh the option of more parking spaces versus better traffic circulation. Access options also affect traffic circulation. Free parking allows for the least amount of traffic resistance. Cars do not stop for tickets or pay parking fees. If the goal is to discourage non-shopping centre patrons from using the parking structure, outlet owners can employ various systems. Parking space owners can use inexpensive or reimbursable charges for the average stay of about two hours. For additional time, the rates get higher, helping to keep the parking facility available for the retailers' patrons.

Parking Space Problems at Retail Centers

How fair is it to charge shoppers a fee to merely enter the shop? If there is a premium experience attached to shopping there and a demand for that experience, it is appropriate to impose an entry fee. In its absence, it may not be economically viable for the shop to charge an entry fee as a commercial revenue stream. So how is it that large shopping malls in many Indian cities collect parking charges from their customers' vehicles?

1. The shop-owners/franchises get away by socializing a major negative externality. They do not pay the price for the negative externality created by their customer's vehicle parking. Since this is not internalized into their costs, the shop-owner pays a smaller rent than would have been the case if all externalities were internalized. It distorts their incentives. They offer numerous promotional and other offers to attract more customers without having to bother about its social costs.

In fact, the shops make free money here. Since all these mall shops are outlets peddling branded products, their sale prices are fixed, irrespective of whether the parking charges are internalized or not. In the circumstances, by having palmed off the responsibility of arranging parking facility to the mall operator, the franchisee would see a mall space as being more profitable than having his own exclusive separate shop, where he would have to himself arrange for separate parking.

2. Instead of viewing parking as an accompaniment service to be bundled with shops, the mall operator sees the parking charges as another full-fledged commercial service from which they seek to make more money. Given the large volume of shoppers, they view it as a revenue stream with considerable commercial potential. In fact, many mall operators outsource this to another service vendor, with a contract aimed at maximizing their returns. This parking operator would naturally be left with no option but to increase the parking fees and maximize his revenues.
3. As both the aforementioned points convey, in the absence of its internalization, the price of the negative externality is now completely borne by the customer. Admittedly, the shopper has to pay the cost of the convenience of using a car for his shopping. But it is only fair that he shares it with the shop from where he makes the purchases.

This again raises the issue of whether free-markets always lead to the most efficient outcomes. A more efficient system would be one where it is regulated that parking in all malls should be free and the mall operator should collect the cost of maintaining the parking facility from the individual shops. There are several ways to apportion the parking costs on the shops. Even if some reasonable charge is collected, it could be reimbursed to the customer on production of the shopping bill. Interestingly, some shops do this, but not others. This will also help the operator gather data on which shop is the largest source of parking externality.

Summary

Effective store management can have a significant impact on a retail firm's financial performance. Store managers increase profits by increasing labour productivity, decrease costs through labour deployment decisions, and reduce inventory loss by developing a dedicated workforce. Store managers must also control inventory losses due to employee theft, shoplifting, and clerical errors. Managers use a wide variety of methods to develop loss prevention programs, including security devices and employee screening during the selection process. However, the critical element of any loss prevention program is building employee loyalty to

reduce employee interest in stealing and increase attention to shoplifting. An individual responsible for managing the overall functioning of the store is called a store manager. A store manager takes care of the day to day operations of the store and ensures maximum profitability for his store. Recruiting employees for the store is the store manager's prime responsibility. The store manager must make sure his store is meeting the targets and earning profits. He is responsible for the smooth and effective functioning of the store. The store manager is responsible for maintaining the overall image of the store. It is his duty to sensibly display the merchandise so that it immediately catches the attention of the customers. The store manager must ensure that his store meets the expectations of the customers and lives up to its predefined brand image. A store manager is the person ultimately responsible for the day-to-day operations of a retail store. Responsibilities of a store manager may include human resources, store business operations, product management, team development and problem solving, handling unusual circumstances. A store manager must ensure store security and safety. The attraction of new and large retail formats adds a new dimension to be decided i.e. security in the parking areas. The single most important factor that would have a significant impact on a traveling shopper would be parking space. Parking lots should have a pleasant environment. The location of the parking structure is also a major consideration. Free parking allows for the least amount of traffic resistance. In its absence the shop may charge an entry fee. Stores division should always keep the records up-to-date. It is absolutely essential for the safety of materials and their quick verification.

Lesson 5.2 - Store Records and Accounting System

Learning Objectives

- Understand the store recording system.
- Examine Store Accounting and Coding System

Introduction

Maintenance of store records: Stores Division should always keep the records up-to-date. It is absolutely essential for the safety of materials and their quick verification. Stock balance of an item may be nil, even if the item has been received but not entered in records. The balance will continue to show nil stock till it is updated. The user may be waiting for the item and repair and maintenance work may be delayed due to wrong information. Similarly, an item issued physically but issue entry not made in the record will still show the item in the stock. This will delay replenishment of the item. In another case, Insurance Claim of an item will be delayed if the Inspection Note and the Discrepancy Report for the item are not finalized and their details not entered in the records. Various records maintained in the stores are:

- Material Requisitions (MR)
- Material Requisition for Purchase (MRP)
- Raw materials file (separate file for each raw material)
- Material delivery status record
- Invoice file
- Insurance claims
- Critical items review file
- Discrepancies noticed and their status
- Management reports
- Correspondence with various departments
- Standardization correspondence

- Codification File
- Management decisions
- Trade literature
- Supplier's visit record
- List of drawings and manuals
- Contracts tiles
- Personal files of employees

Accounting System

A sound financial strategy is the need for any business to sustain and grow. Any retailing business similarly needs to have appropriate financial strategy so that it can prosper. An effective financial strategy helps a retailer maintain systematic records, manage the costs and assets, calculate profits for a given period, meet legal requirements and seek proper financial information for better decision making.

Finance is the backbone of any successful business, be it manufacturing, whole selling or even retailing, without finance no business can survive for long. The retail business that makes consistent profits can survive in the long run and continue to offer products and services to the consumers. A retail firm requires finance to run their business meet day to day requirements. For the success of a business, there should be continuous movements of funds in and outside the firm. Once a retailer has finalized its organizational structure, it concentrates on operations management. Operations management plays a vital role in a company growth and profitability.

Successful retailing also requires sound accounting practices. The number and types of accounting records needed depend on management's objectives. Large retailers generally require more detailed information, usually based on merchandise lines or departments. Smaller retailers may be able to make first-hand observations of sales and inventory levels and make decisions before financial data are available. For example, a retailer in a developing country owning and operating a 100-square-foot store can easily use observation to obtain a general idea of the store's inventory. Still, the small retailer should consult the accounting records to confirm personal observations.

Properly prepared financial records provide measurements of profitability and retail performance. In addition, they show all transactions occurring within a given time period. However, these financial record must provide the manager not only with a look at the past but also a preview of the future so the manager can plan. Financial records not only indicate if a retailer has achieved good results, they also demonstrate what growth potential and problem areas lie ahead:

1. Is one merchandise line outperforming or underperforming the rest of the store?
2. Is the inventory level adequate for the current sales level?
3. Is the firm's debt level too high (does the firm owe too much money)?
4. Are reductions, including markdowns, too high a percentage of sales?
5. Is the gross margin adequate for the firm's profit objectives?

Let's look at the three financial statements most commonly used by retailers: the income statement, the balance sheet, and the statement of cash flow.

Income Statement

The most important financial statement a retailer prepares is the income statement (also referred to as the profit and loss statement). The income statement provides a summary of the sales and expenses for a given time period, usually monthly, quarterly, seasonally, or annually. Comparison of current results with prior results allows the retailer to notice trends or changes in sales, expenses, and profits. However, given the accounting scandals earlier this decade at Enron and Krispy Kreme, the mere fact that a company reports increased earnings each year and the income statement looks great should not lead one to believe that everything is fine. New government regulations have resulted in some restoration of that confidence. However, there are still some unclear areas regarding the reporting of income and expenses.

Income statements can be broken down by departments, divisions, branches, and so on, enabling the retailer to evaluate each subunit's operating performance for the period.

Gross sales are the retailer's total sales, including sales for cash or for credit. Returns and allowances are reductions from gross sales. Here the retailer makes a financial adjustment for customers who became dissatisfied with their purchases and have returned the merchandise to the retailer. Since these reductions represent cancellations of previously recorded sales, the gross sales figure must be reduced to reflect these cancellations.

Net sales, gross sales less returns and allowances, represent the amount of merchandise the retailer actually sold during the time period. Sometimes it is difficult to determine what figure to report for net sales.

Cost of goods sold is the cost of merchandise that has been sold during the period. While this concept is easy to understand, the exact calculation of the cost of goods sold is somewhat complex. For example, like their own customers, retailers may obtain some return privileges or receive some allowances from vendors. Also, there is the issue of determining how inventory levels will be carried on the company's books. This will be fully discussed in the next section of this chapter.

Gross margin is the difference between net sales and cost of goods sold or the amount available to cover operating expenses and produce a profit.

Operating expenses are those expenses that a retailer incurs in running the business other than the cost of the merchandise (e.g., rent wages, utilities, depreciation, advertising, and insurance).

Retailers must consider not only Generally Accepted Accounting Principles (GAP) regulations when presenting their income statement, but also Internal Revenue Service (IRS) rulings. The IRS provided a tax break for retailers by ruling that they may estimate inventory shrinkage (The loss of merchandise through theft, loss, and damage).

This enables retailers to reduce ending inventory and thus taxable earnings. Prior to this change, which resulted from court cases involving Kroger and Target, the IRS did not permit retailers to estimate shrinkage from the last physical inventory to the end of the retailer's tax year, usually The end of January. Since it is not feasible for most retail chains to

count all their inventory in a single day in late January, Most chains check inventory on a rotating basis throughout the year and can now estimate their losses without being challenged by the IRS.

Operating profit is the difference between gross margin and operating expenses.

Other income or expenses includes income or expense items that the firm incurs other than in the course of its normal retail operations. For example, a retailer might have purchased some land to use for expansion and after careful deliberation, postponed the expansion plans. Now the retailer rents that land. Since renting land is not in the normal course of business for a retailer, the rent received would be considered other income. Likewise, many convenience stores place income from selling money orders under other income and supermarkets report the rent received from banks and pharmacies operating in their buildings as other income.

It is also on this line of the income statement that most grocery chains report the revenue from their non-selling activities such as slotting fees, promotional allowances, and free goods, because this revenue is considered to be earned by buying merchandise, rather than selling it.

Net profit is operating profit plus or minus other income or expenses. Net profit is the figure on which the retailer pays taxes and thus is usually referred to as net profit before taxes.

Many retailers actually divide the income statement into two sections: The first, or top half, being those elements above the gross margin total and the second, or bottom half being those elements below the gross margin total. Sales and cost of goods sold are essentially controllable by the buying functions of the retail organization. In more and more retailing operations today the buying organization is separated from the store management team who is primarily concerned with the operating expenses that are shown below gross margin. As a result store managers often look at gross margin from the bottom up and use this formula:

$$\text{Gross margin} = \text{Operating expenses} + \text{Profit}$$

Sometimes retailers use the terms ‘top line’ (sales), ‘gross’ (gross margin), ‘line above the bottom’ (other income), and ‘bottom line’ (profit) when referring to the key elements of their income statement.

Finally, it is important to point out that, just as they do in the reporting of revenues, GAA.P allow for variations in how retailers report certain expenses. Pre-opening expenses, for example, can be expensed as they occur, during the month the store opens, or capitalized and written off over several years. Advertising can be, written off when the ad runs or when payment is made. Store fixtures can be depreciated over 5 years, 40 years, or some increment in between, Thus, when comparing the financial statements of different retailers, it is important to know how each retailer treated these and other expenses.

Balance Sheet

The second accounting statement used in financial reporting is the balance sheet. A balance sheet shows the financial condition of a retailer’s business at a particular point in time, as opposed to the income statement, which reports on the activities over a period of time. The balance sheet identifies and quantifies all the fixed assets and liabilities. The difference between assets and liabilities is the owners equity or net worth, Comparing, a current balance sheet with one from a previous time period enables a retail analyst to observe changes in the firm’s financial condition.

$$\text{Assets} = \text{Liabilities} + \text{Net worth}$$

Hence, both sides always must be in balance. An asset is anything of value that is owned by the retail firm. Assets are broken down into two categories: current and noncurrent.

Current assets include cash and all other items that the retailer can easily convert into cash within a relatively short period of time (generally a year). Besides cash, current assets include accounts receivable, notes receivable, prepaid expenses, and inventory. Accounts and/or notes receivable are amounts that customers owe the retailer for goods and services. Frequently, the retailer will reduce the total receivables by a fixed percentage (based on past experience) to take into account those customers who may be unwilling or unable to pay. Prepaid expenses

are items such as trash collection or insurance for which the retailer has already paid but the service has not been completed. Retail inventories comprise merchandise that the retailer has the store or in storage and is available for sale.

Noncurrent assets are those assets that cannot be converted into cash in a short period of time (usually 12 months) in the normal course of business. These noncurrent or long-term assets include buildings, parking lots, the land under the building and parking lot, fixtures (e.g., display racks), and equipment (e.g., air conditioning system). These items are carried on the books at cost less accumulated depreciation on everything except the land. Depreciation is necessary because most noncurrent assets have a limited useful life; the difference between the asset and depreciation is intended to provide a more realistic picture of the retailer's assets and prevent an overstatement or understatement of these assets. However, as every retailer has learned, the value of real estate can fluctuate greatly over time, some retailers also include goodwill as an asset. Goodwill is an intangible asset, usually based on customer loyalty that a retailer pays for when purchasing an existing business. Usually the dollar value assigned to goodwill is minimal.

Total assets equal current assets plus noncurrent assets plus goodwill.

The other part of the balance sheet reflects the retailer's liabilities and net worth. A liability is any legitimate financial claim against the retailer's assets. Liabilities are classified as either current or long term.

Current liabilities are short-term debts that are payable within a year. Included here are accounts payable, notes payable that are due within a year, payroll payable, and taxes payable. Accounts payable are amounts owed vendors for goods and services. Payroll payable is money due employees on past labor. Taxes due the government (federal, state, or local) are also considered a current liability. Some retailers also include interest due within the year on long-term notes or mortgages as a current liability.

Long-term liabilities include notes payable and mortgages not due within the year. Total liabilities equal current liabilities plus long term liabilities.

Net Worth, also called owner's equity, is the difference between the firm's total assets and total liabilities and represents the owner's equity in the business. The figure reflects the owner's original investment plus any profits reinvested in the business less any losses incurred in the business and any funds that the owner has taken out of the business.

In actuality, the balance sheet does not reflect all the retailer's assets and liabilities. Specifically, items such as store personnel can be an asset or a liability to the business. These items might not appear on the balance sheet but are extremely important to the success of a high-performance retailer. Other items that could be either assets or liabilities, although not in the strict accounting sense, are goodwill, customer loyalty, and even vendor relationships. Each of these items can contribute to the success or failure of a retailer.

Statement of Cash Flow

A third financial statement that retailers can use to help understand their business is the statement of cash flow. A statement of cash flow lists in detail the source and type of all revenue (cash inflows) and the use and type of all expenditures (cash outflows) for a given time period. When cash inflows exceed cash outflows, the retailer is said to have a positive cash flow; when cash outflows exceed cash inflows, the retailer is said to be experiencing a negative cash flow.

Thus the purpose of the statement of cash flow is to enable retailer to project the cash needs of the firm. Based on projections, plans may be made to either seek additional financing, if a negative flow is projected, or to make other investments if a positive flow is anticipated. Likewise a retailer with a positive cash flow for the period might be able to take advantage of "good deals from vendors."

A statement of cash flow is not the same as an income statement. In a statement of cash flow, the retailer is concerned only with the movement of cash into or out of the firm. An income statement reflects the profitability of the retailer after all revenue and expenses are considered. Often expenses will be incurred in one time period but not paid until the following time period. Thus, the retailer's income statement and statement of cash flow are seldom identical.

An increasing number of retailers are becoming aware of the critical nature of cash flow. In fact, the most vital cause of retailing bankruptcies in recent years has been cash flow problems. A retailer can be growing quickly and be profitable yet fail due to inadequate cash flow.

Codification

Codification is used to describe an item in short, thus avoiding the necessity of a long statement every time the need to describe the item arises. Codes are very useful for the following reasons:

- Every one finds a similar meaning in identifying an item with the help of a code.
- The same item may be available under different names. A code eliminates the possibility of duplication in names.
- Items with different features but for same purpose can be differentiated easily. For example, a ball pen with ordinary refill will have a code different from that of a ball pen with jotter refill.
- A code helps avoid long descriptions in Purchase Requisitions.
- Entries in bin cards, stock control cards, and account records are made easily with codes. Moreover a code helps in a uniform method of entry.
- Entries in receipt and issue documents are made easily with accuracy in the appropriate records.
- Codes are necessary for mechanization of records through computerization of activities,

Methods of Codification

One can adopt different methods of codification. They are:

- Numerical code
- Mnemonic code (using alphabets) Consonant code
- Alpha-numeric code

Summary

Successful retailing also requires sound accounting practices. The number and types of accounting records needed depend on management's objectives. Large retailers generally require more detailed information, usually based on merchandise lines or departments. Smaller retailers may be able to make first-hand observations of sales and inventory levels and make decisions before financial data are available.

For example, a retailer in a developing country owning and operating a 100-square-foot store can easily use observation to obtain a general idea of the store's inventory. Still, the small retailer should consult the accounting records to confirm personal observations. Properly prepared financial records provide measurements of profitability and retail performance. In addition, they show all transactions occurring within a given time period.

However, these financial records must provide the manager not only with a look at the past but also a preview of the future so the manager can plan. The second accounting statement used in financial reporting is the balance sheet. A balance sheet shows the financial condition of a retailer's business at a particular point in time, as opposed to the income statement, which reports on the activities over a period of time. The balance sheet identifies and quantifies all the fixed assets and liabilities. The difference between assets and liabilities is the owner's equity or net worth. Comparing a current balance sheet with one from a previous time period enables a retail analyst to observe changes in the firm's financial condition.

A third financial statement that retailers can use to help understand their business is the statement of cash flow. A statement of cash flow lists in detail the source and type of all revenue (cash inflows) and the use and type of all expenditures (cash outflows) for a given time period. When cash inflows exceed cash outflows, the retailer is said to have a positive cash flow; when cash outflows exceed cash inflows, the retailer is said to be experiencing a negative cash flow.

Thus the purpose of the statement of cash flow is to enable a retailer to project the cash needs of the firm. Based on projections, plans may be made to either seek additional financing, if a negative flow is projected,

Notes

or to make other investments if a positive flow is anticipated. Likewise a retailer with a positive cash flow for the period might be able to take advantage of “good deals from vendors. Codification is used to describe an item in short, thus avoiding the necessity of a long statement every time the need to describe the item arises. One can adopt different methods of codification, such as, numerical code, mnemonic code, and alpha-numeric code.

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Lesson 5.3 - Material Handling in Stores

Learning Objectives

- Understand the Importance of Material Handling in Stores
- Know the nature of material handling

Introduction

Material handling is an integral part of all retail stores and accounts for 10-20% of the total cost of the selling price. It is the way by which the goods of greater efficiency can be attained not only in stores but wherever materials are moved. It is method for moving material. Material can be moved either manually or with the help of slings, or other handling instruments. Material can also be moved by people using machines such as forklift trucks, and other lifting fixtures (mechanical lifting). It does not directly add value to the product but adds to the final cost.

Thus material handling function includes all types of movements within the retail stores. These materials are of various types, shapes and size. At each stage of selling materials are loaded and unloaded are travel widely inside the store. Each handling task poses unique demands on the floor staff. However, workplaces can help store staff to perform these tasks safely and easily by implementing and upholding proper policies and procedures for minimum and automatic materials handling resulting in reduction in handling costs.

Manual material handling operations are carried out in most retail stores because the goods comparatively belong to FMCG sector and these are light in weight. But in case of electronics furniture/luxury retailing, manual lifting can spoil the goods/items meant for sale. As when these items collide with each other, they can create hazards that result in injuries.

Purpose of Material Handling

Material handling function is considered as one of the most significant activities of the retail stores and efficient material handling is must to perform day to day manufacturing operations. According to estimates, one fifth of the total production time is consumed in actual production while remaining fourth fifth of the production time is spent on material handling activities like taking materials from one place to another.

Therefore, the prime objective of each production manager is to reduce time in material handling activities as that more concentration should be given to production and after sales activities.

The following may be considered as secondary objective of material handling:

- Minimization of fatigues and hard work
- Minimizing material handling cost
- Optimum utilization of material handling equipment
- Prevention of accidents and errors during material handling
- Prevention of damages to materials
- Proper housekeeping
- To improve overall productivity without increasing production budget
- To increase storage capacity by proper utilization of space area
- To provide safe environment for movements of materials
- To reduce investment in work in progress

The way a company handles its inventory affects many aspects in a store. When food or other items are damaged or hidden in the stockroom, stores often order new inventory. If the original inventory is unusable, the store loses money.

If items are improperly placed in the storeroom, then emerge later, they may need to be sold at marked-down prices, also costing the store money.



Movement

An efficient material handling system is essential for product movement. Product movement means that shelves are continuously restocked with items. As the store inventory sells, workers move new product onto the floor. Say 10 cans of coca cola are on the shelf. After five cans sell, workers move five more cans onto the shelf. Computerized inventory systems keep a count of floor inventory and storeroom inventory. When floor items are sold, the computer signals a worker to bring more from the storeroom.

Storeroom

The storeroom is the heart of the store. New inventory comes in and needed inventory goes out. With efficient material handling, room is available for everything. An effective storeroom has a shelf or bin for each item and clear labeling for the products. Older items are placed at the front so they are distributed first. Newer products are placed behind older products and are brought out when needed.

Labour

Efficient material handling cuts down on idle labour time. Workers are continuously stocking, restocking and moving product where it needs to go. An employee is not standing around looking for something to do because something always needs to be moved or replaced.

Customer Service

Customer relations improve with efficient material handling. A consumer might enter the store wanting to buy several of one items. After she takes all of the product from the shelf, she can find an employee and ask if more are in the back. The employee can check the shelves and bins in the storeroom and provide the additional items if the store has them. If the storeroom is messy the product is not easily accessible; efficient handling ensures that items are easily located.

A load may be hazardous because of:

- Absent or inappropriate handles
- Ill-shape (making it awkward to handle)
- Imbalance (i.e., changing centre of gravity)
- Improper temperature
- Size (very small or very big)
- Slippery or damaged surfaces and
- Weight

The material handling job sometimes may be dangerous when it involves:

a. Lifting or Lowering

- For extended periods of time
- Immediately after prolonged flexion
- Quickly/repetitively
- Shortly after a period of rest
- While seated or kneeling

b. Manual Materials Handling

Moving the load over large distances accuracy and utmost care required because of:

- Fragile loads, or
- Specific unloading locations

Material positioned too low or too high hazardous arrangements or postures multiple handling requirement

Summary

Material handling is an integral part of all retail stores. Material handling function includes all types of movements within the retail stores. Material handling function is considered as one of the most significant activities of the retail stores and efficient material handling is must to perform day to day manufacturing operations. According to estimates, one fifth of the total production time is consumed in actual production while remaining fourth fifth of the production time is spent on material handling activities like taking materials from one place to another. Therefore, the prime objective of each production manager is to reduce time in material handling activities as that more concentration should be given to production and after sales activities. The storeroom is the heart of the store. New inventory comes in and needed inventory goes out. With efficient material handling, room is available for everything. An effective storeroom has a shelf or bin for each item and clear labeling for the products. Older items are placed at the front so they are distributed first. Newer products are placed behind older products and are brought out when needed. Customer relations improve with efficient material handling. A consumer might enter the store wanting to buy several of one items. After she takes all of the product from the shelf, she can find an employee and ask if more are in the back. The employee can check the shelves and bins in the storeroom and provide the additional items if the store has them. If the storeroom is messy the product is not easily accessible; efficient handling ensures that items are easily located.

Lesson 5.4 - Mall Management

Learning Objectives

- Understand the Importance of Mall Management
- Identify factors influencing mall establishments.

Introduction

Malls can be mentioned as a concoction of retail stores or shall we say retail formats. Various types of stores are housed under one roof and they define the concept of 'shoppertainment' in the best possible way. Malls can be defined as mercantile establishment consisting of a carefully landscaped complex of shops representing leading merchandisers; usually includes restaurants and a convenient parking area; a modern version of the traditional marketplace; "a good plaza should have a movie house" a nice place for customers to spend their weekends.

Some of the general characteristics of malls are:

- The presence of multiplex
- The presence of well-defined parking system
- The presence of appropriate landscaping
- The presence of 'anchor shop'
- Tenant mix in tune with the overall theme of mall

Malls have evolved primarily due to need created in the market especially urban where there is shortage of time, issues of traveling and parking, lack of choice & facilities, scattered shopping areas, working couples, requirement of critical mass for survival. They have become joints for social meetings, pastime area like parks but with modern facilities.

A standard definition of Mall Management could be like "An advanced Building Management System" which includes various aspects

of running a mall such as Positioning, Zoning, Facilities Management, Finance Management, Marketing, Corporate Social Responsibility, Customer Service and Liasion.

The Art of Mall Management is to make mall a success in terms of Footfalls, sales turnover, increase in rentals and decrease in Common Area Maintenance while doing “a fine balancing act” between the expectations of the developer and brand while giving customers a value for their visit and time, so that they would keep coming back again and again. A builder would like to decrease its operational expense to minimum, while a brand would expect enormous expenditure. Customer on the other hand is oblivious to this and wants the best of everything i.e. brands suitable to their taste.

Broadly, mall management includes the following:

1. Positioning
2. Zoning
3. Promotions and Marketing
4. Facility Management
5. Financing

Positioning a Mall

It refers to defining the category of services offered by a mall. Generally mall positioning is determined after a detailed survey of households in the area where mall is going to be located. This survey includes demographics, psychographics, income levels and competition in the area. It also includes the location of the mall which is determined by the access, visibility etc.

Zoning

It refers to selection of retail shops occupying space in a mall. It also refers to the division of mall space into zones for the placement of various retailers. Generally there are two types of consumers visiting a mall- focused and impulse buyers. The time spent by focused buyers is lower as compared with impulse buyers who also enjoy window shopping.

Zoning allows retailers help attract both types of consumers. Zoning allows the smooth movement of shoppers in the mall, avoiding clusters and bottlenecks. It also involves the selection of right anchor tenant. The anchor tenant is defined as the largest occupier in a mall in terms of square feet. Vanilla retailers (single brand shops) generally cluster around the anchor and feed off the shopping traffic it generates.

Promotions and Marketing

It involves doing promotional activities and events in the mall.

Facility Management

It refers to the integration of people, place, process and technology in a building. It includes the following three activities:

a. Infrastructure Management

It includes provision of adequate power supply, air conditioning, safety issues related of signage, water supplying and sanitation.

b. Ambience Management

It includes management of parks, fountains, music and overall look of the mall.

c. Traffic Management

It includes managing foot traffic and parking facilities. The flow of people is related to the design of the mall and the spatial distribution of its tenants.

Finance Management

It covers the activities such as cash receipts and collection of income, accounting system to track the debt and invoices, preparation of annual property budget and organizing resources to deliver an efficient and effective annual audit.

Factors Influencing Mall Establishment

It has been noticed so far, that the retailers, with their glitzy shops and direct consumer interface have been in the limelight as a key factor driving the growth of organized retail in the country. However, mall development has been driven primarily by the real estate developers who have started looking at retailing as seriously as corporate and residential sectors. The boom has been fueled by the attractive returns obtained by the mall developers over the last couple of years.

Moreover, the Indian metro skylines and people's lifestyles have been significantly impacted by the Mall phenomenon. With high novelty value, the malls are almost becoming a status symbol for the communities, generating a substantial excitement and curiosity amongst the consumers. With increased customer acceptance of organized retailing, there has been an increasing demand for high quality space from large format retailers, the food and apparel chains and the multiplex operators.

Mall development has attracted many real estate developers across all large and mid-size cities. From just 3 malls up to 2000, India is all set to have over 220 malls in different stages of planning, design and construction. In the face of such fierce competition, a mall has to clearly segment the market and define its target audience. It should also have a clear positioning and differentiating strategy. This will help them gain competitive advantage.

In fact, it is expected that the malls with the right planning, positioning and management will prove to be good investments. Having done this, a mall developer has to consider various factors like location; layout and design; infrastructure; product and tenant mix; tenant profile before establishing the mall. If he successfully considers these factors, then the mall will surely be a success.

Once they are successful the malls would be effectively catered to since they will be looking into consumer's convenience, costs, communication and value. However, there are several developments with a "me-too" approach. Such malls have unclear positioning, sub-scale standards and ad hoc mall management.

Shopping Malls



Regional Malls are spread over an area of less than 1 million sq. feet.

Super Regional Malls are spread over an area of more than 1 million sq. feet.

Advantages of Shopping Malls

- Increase in the growth of the organized retail sector
- Monumental increment in economic growth
- Employment generation by the organized retail sector
- Good competition means better products and services

Disadvantages of Shopping Malls

The companies with superior resources would muscle out the ones inferior to them. Monopolization of the organized retail sector in India, the emergence of shopping malls has mostly altered the lifestyle of the consumers. With the growth in income, changing attitudes, and also the demographic patterns favor the emergence of shopping malls.

Indian retailing is undergoing a process of evolution and is poised to undergo dramatic transformation. The retail sector employs over 8 percent of national work force, but is characterized by a high degree of fragmentation. There are over 5 million outlets, 96 per cent of whom are very small with an area of less than 50 m². The retail universe more than doubled between 1978 and 1996 the number of outlets per 1000 people at an all India level, increased from 3.7 in 1978 to 5.6 in 1996. For the urban

sector alone, the shop density increased from 4 per 1000 people in 1978 to 7.6 per 1000 people in 1996. Because of their small size, the Indian retailers have very little bargaining power with manufacturer and perform only a few of flows in marketing channels unlike a retailer in developed country. The corner grocer or 'kirana' store is a key element in retail in India due to the housewife's unwillingness to go long distance for purchasing daily needs. An empirical study was carried out by sinha et al (2002) to identify factors that influenced consumer's choice of a store. Although convenience and merchandise were the two most important reasons for choosing a store, the choice criteria varied across product categories. Consumer indicated convenience as the most important reason in the choice of groceries and fruit outlet, chemists and life style item while merchandise was indicated as most of important in durables, books and apparel.

The success of any retail operation is largely based on the retailer's ability to provide the right goods to the consumer, at the right place, at the right time and at the right price. The entire process of creating or procuring a product or serve needed by the consumer and ensuring that it reaches the place where a consumer can buy it, is integral to the existence of any retail organization.

Merchandise management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation. The process of merchandise management includes the developing of strategies to ensure that the right product is bought at the right price, is available at the right place, at the right time, in the right amount, in order to satisfy the needs of the target customer. No one in retail can completely avoid any contact with merchandising activities. Merchandising is the day-to-day business of all retailers. As inventory is sold, new stock needs to be purchased, displayed and sold. Hence, merchandising is often said to be at the core of retail management. Merchandising traces its growth to the rise of organized retail in the world. Initially, as the retailers operated only one or two stores, the function of buying the merchandise, pricing it, etc., were much simpler. In many cases, the retailer did it himself. However, as retailers started adding stores and categories, the workload on the buyers increased significantly. Often, buyers had little information or time and they ended up using approximations based on sales volumes, to allocate merchandise between stores. This sometimes, resulted in stores exchanging merchandise among them!

In order to overcome this limitation, the function of a planner came into being. The planner's job was to act as a link between the stores and the buyer. The delinking of the function of planning and buying allowed better interaction with the stores. Planners were able to devote more time to collecting and studying store level data, the buyers on the other hand, were able to spend more time with the vendors.

Factors Affecting the Merchandising Function

Merchandising does not function in isolation. It is affected by various factors, like the organization structure, the size of the retail organization and the merchandise to be carried. As in every retailing endeavor, the most fundamental activities are buying merchandise and re-selling it to its customers. The owner or the manager, who may be assisted by the sales person, may perform the buying function in the case of a single store. As the single store grows in terms of business, it may add departments. Functional departmentalization may occur and the number of persons involved in the buying process may increase. In the case of a chain store, the buying function may be centralized or decentralized geographically, depending on the retail organization. Thus, the nature of the organizations is an important factor affecting the function of merchandising.

The merchandise to be carried by a retailer largely determines responsibilities of the merchandiser. The buying for basic merchandise is fairly different from the buying of fashion merchandise. Basic are those products or items, which their retailer will always keep in stock. This primarily because these products are always in demand and the sales variance is minimal from year to year. Example of basics would be items like white shirts in clothing or items like pulses, oil, etc. Fashion products on the other hand, are products, which may sell very well in one season or year and may not have any demand in the next season. A merchandiser, who is handling fashion products, will need to spend more time in the market, looking for products, which will suit the needs of the store's consumers. He will also need to be aware of the fashion forecasts and the trends in the international markets. The organization structure that the retail organization adopts also affects the merchandising function. Some organizations may demarcate the role of the buyer and the role of a merchandiser as separate functions, which in a smaller organization, one person may carry out the all the duties.

Functions of a Merchandise Manager

The merchandise manager is responsible for particular lines of merchandise. For example, in department store, there may be separate merchandise managers for menswear, women's wear, children's wear, etc. They would be in charge of a group of buyers and their basic duties could be divided into four areas; planning, directing, coordinating and controlling.

1. Planning

Though the merchandise managers may not directly be involved in the actual purchase of the merchandise, they formulate the policies for the areas for which they are responsible.

Forecasting the sales for the forthcoming budget period is required and this involves the estimation of the consumer demand and the impact of the changes occurring in the retail environment. The sales forecasts are then translated into budgets, to help the buyers work within the financial guidelines.

2. Organizing

It involves the establishment of an intentional structure of roles through determination and enumeration of the activities required to achieve the goals of an enterprise and each part of it. The grouping of these activities, the assignment of such groups of activities, the delegation of authority to carry them out, and provision for coordination of authority and informational relationship horizontally and vertically to be carried out by the merchandise manager.

3. Directing

Guiding and training buyers as and when the need arises, is also a function of the merchandise manager. Many a times, the buyers have to be guided to take additional markdowns for products, which may not be doing too well in the stores. Inspiring commitment and performance on the part of the buyers is necessary.

4. Controlling

Assessing not only the merchandise performance, but also the buyer's performance, is a part of the merchandise manager's job. Buying performance may be evaluated on the basis of the net sales, mark up percentage, the gross margin percentages and the stock turn. This is necessary to provide controls and maintain high performance results.

5. Coordinating

Usually, merchandise managers supervise the work of more than one buyer; hence, they need to co-ordinate the buying effort in terms of how well it fits in with the store's image and with the other products being bought by the other buyers.

The structure of the merchandise department largely depends on the organization structure adopted by the retail organization. Retail snapshot 6/1 illustrates the function of buying and merchandising at one such retail organization in India –shopper's stop. This organization has identified the trading manager and the buyer as the persons who will look after the merchandising function.

Functions of Merchandisers

- Inventory-level management
- Achieving sales & profit margins
- Plan merchandise
- Availability management, as per range plan
- Merchandising strategy & planning
- Processing of purchase orders
- Analysis of data & sales budgeting
- Profitability Target & expense control

Vendor / Supplier relations for both, in house products as well as for brands. While good merchandise management does not guarantee success, bad merchandise management will almost certainly result in failure.

Merchandise Planning

Retail businesses, like all other businesses, exist with the aim of making a profit. The function revolves around planning and control. Planning is of great importance, because it takes time to buy merchandise, have it delivered, record the delivery in the company's records and then, to send the merchandise to the right stores. Analysis is the starting point of merchandising planning. The person, who is to take the buying decisions for a retail organization, must be aware of the consumer needs and wants. An understanding of the consumer buying process is necessary. A part from this, a clear understanding is also necessary of what products are actually selling and where. Information on this can be obtained from sale records. An interaction with the sales staff is also needed, as they can offer valuable insights into conducted, magazine and trade publications and trade associations are other sources of information. The information thus gathered needs to be analyzed. This analysis forms the basis of the sales forecast. The first stage in merchandise planning is developing the sales forecast.

Step I: Process of Planning Sales Forecast

Forecasting involves predicting as to what consumers may do under a given set of conditions. A sales forecast may be made by the merchandiser, based on the targets given by the top management or may be handed down by the top management itself, depending on the retail organization. A sales forecast is the first step in determining the inventory needs of the product or category. Forecasts are typically developed to answer the following questions:

- How much of each product will need to be purchased?
- Should new products be added to the merchandise assortment?
- What price should be charged for the product?

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

1. Identifying Past Sales

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

2. Reviewing the Changes in the Economic Conditions

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

3. Analyzing the Changes in the Sales Potential

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

4. Finding the Changes in the Marketing Strategies of the Retail Organization and the Completion

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

5. Creating the Sales Forecast

After taking into consideration the above-mentioned points, and estimate of the projected increase in the sales, is arrived at. This is then applied to various products/ categories, to arrive at the projected sales figures. A sales forecast is thus, an outline of what amount of sales need to be achieved, it tells us what amount of sales are targeted and what revenues are expected from those targets. However, it does not give the merchandiser any idea of the inventory levels that are required. This brings us to the second stage, which involves the planning of the quantities of merchandise that would be required to achieve the sales forecasted in Stage.

Step II: Identifying the Requirements

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

1. The creation of the Merchandise Budget, and
2. The Assortment Plan.

There are two methods of developing a merchandise plan. They are top down planning and bottom up planning. In top down planning, the top management words on the sales plan and this is passed down to the merchandising team. On the other hand, in bottom up planning, individual department managers work on the estimated sales projections. These are then added up to arrive at the total sales figures. After the sales forecasting exercise has been completed, inventory levels need to be planned. The merchandise budget is the first stage in the planning of merchandise. It is a financial plan, which gives an indication of how much to invest in product inventories, stated in monetary terms.

The merchandise budget usually comprises five parts:

1. The sales plan, i.e., how much of each product needs to be sold; this may be department wise, division wise or store wise.
2. The stock support plan, which tells us how much inventory or stock, is needed to achieve those sales.
3. The planned reduction, which may need to be made in case the product, does not sell.
4. The planned purchase levels, i.e., the quantity of each product that needs to be procured from the market.
5. The gross margins (the difference between sales and cost of goods sold,) the department, division or store contributes to the overall profitability of the company.

Methods of Inventory Planning

In order to be able to proceed with merchandise planning, the method of inventory planning needs to be finalised. Any one of the four methods given below can be used for planning the inventory levels needed.

1. The Basic Stock Method
2. The Percentage Variation Method
3. The Week's Supply Method, and
4. The Stock/ Sales Ratio Method.

The Basic Stock Method

This method of inventory planning is used when the retailer believes that it is necessary to have a given level of inventory on hand, at all times. Basic stock is the minimum amount of inventory that needs to be maintained for a product, category or store, even during times of low sales. It is calculated as under:

$$\text{Basic Stock} = \text{Average stock for the season} - \text{Average monthly sales for the season,}$$

where,

Average monthly sales for the season = Total planned sales for the season

Number of months in the season

Average Stock for the Season = Total Planned Sales for the season

Estimated Inventory Turnover Rate for the season

Beginning of Month (BOM) Stock = Planned Monthly Sales + Basic Stock

Illustration: Using the basic stock method, calculate BOM inventory for the month

of January, given the following information:

Planned sales for the month of January: 40,000

Average Monthly Sales: 50,000

Average monthly inventory: 60,000

$$\text{Basic stock} = 60,000 - 50,000 = 10,000$$

$$\text{BOM stock} = 40,000 + 10,000 = 50,000$$

The Percentage Variation Method

This method is normally used when the stock turnover rate is more than six times a year. The basic premise behind this method of inventory planning is that the inventory levels should reflect the actual sales. It is calculated as under:

$$\text{BOM Stock} = \text{Avg Stock for season} \times \frac{1}{2} (1 + (\text{Planned sales for the month} / \text{Average Monthly sales}))$$

Illustration

Using the Percentage Variation Method, calculate the BOM inventory for the month of January, given the following information.

Planned Sales for the month of January: 40,000

Average monthly Sales: 50,000

Average monthly inventory: 60,000

$$\text{BOM Stock} = \text{Avg. Stock for season} \times \frac{1}{2} \times [1 + (\text{Planned Sales for the month} / \text{Average Monthly Sales})]$$

$$\text{BOM Stock} = 60,000 \times \frac{1}{2} \times (1 + 40,000/50,000)$$

$$= 60,000 \times \frac{1}{2} \times (1 + 1.2)$$

$$= 60,000 \times 1.1 = 66,000$$

Week's Supply Method

Retailers such as grocers, who plan; inventories on a weekly, and not on a monthly basis, and whose sales do not fluctuate substantially, largely follow the Week's Supply Method. It is calculated as under:

$$\text{Number of Weeks to be Stocked} = \frac{\text{The Number of Weeks in the period}}{\text{stock turnover Rate for the period}}$$

Average Weekly Sales = Estimated Total Sales for the Period/
The Number of Weeks in the Period

BOM Stock = Average Weekly Sales * Number of Weeks to
be Stocked

Stock to Sales Ratio Method

This is very easy to use, but it requires the retailer to have a beginning of the month stock/sales ratio. It involves the maintaining of the inventory levels at a specific ratio to the sales. This ratio tells the retailer how much inventory is needed at the beginning of the month, to support the month's estimated sales.

Stock-Sales Ratio = Value of inventory/Actual Sales

Planned BOM Inventory = Stock Sales Ratio * Planned Sales.

Illustration: Using the Stock to sales Ratio Method, Calculate the BOM inventory for the month of January, given the following information.

Stock to sales Ratio = 1.4

Planned Sales for the month of January: 50,000

Planned BOM inventory = 1.4 X 50,000 = 70,000

The Stock Turnover Rate

An effective measure of the speed with which products or merchandise moves in and out of a retail store for a given period, is the Stock Turnover Rate. It is a measure of efficiency and is usually calculated for a period, of six months or a year. It is calculated using the following formula:

Planned sales (for a period) = Stock turnover

Planned Average Inventory (for the period)

The stock turnover rate is a measure of efficiency. Every department usually, has its own stock turnover rate, as different merchandise need different speeds of selling. Typically, for grocery products, the stock turnover rates needed would be much higher, as compared to those needed

for products like apparel or toys. From the management's perspective, the stock turnover indicates the level of capital usage, i.e., turning money to inventory, inventory to money and then repeating the process again.

Step III: Merchandise Control

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

1. Limits overbuying and under buying,
2. Prevents loss of sale due to unavailability of the required stock,
3. Maintains purchases within the budgeted limits, and
4. Reduces markdowns, which may arise due to excess buying.

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

Calculating the Open-to-Buy

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

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

Open-to-buy is always calculated for the current and future periods. Now that the merchandiser has an idea as to the amount available to make the purchases, he needs to decide on the merchandise or the products that need to be bought. This process of deciding upon the products or merchandise to be bought and then arriving at the quantity of each product or category of merchandise to be bought is termed as Assortment Planning.

Step IV: Assortment Planning

Assortment Planning involves a determination of the quantities of each product that will be purchased so as to fit into the overall merchandise plan. Details of colour, size, brand, materials, etc., have to be specified. The main purpose of creating an assortment plan is to create a balanced assortment of merchandise for the customer. Various factors affect the assortment planning process. The first among these factors is the type; of merchandise that is to be stocked in the retail store. Merchandise may be classified into basic or staple merchandise, fashion, convenience or specialty goods.

Fashion Merchandise

This type of merchandise has a high demand for a relatively short period of time. Buying the right quantities at the right time is of great importance for this category of products, as the demand for the product exists for a limited time. Excess buying may result in heavy markdowns at the end of the season or when the product goes out of style. Examples of such products include various cuts in jeans, which may be in style for a season, short lengths in kurtas etc.

Basic Merchandise

These are products which consumers buy year in and year out. The store would usually require these products, to be in stock at all times. Example of products, which may be classified as staples are: men's white shirts, socks, handkerchiefs, stationary, etc, Buying staple merchandise is relatively easier; it can be easily done by analyzing the past sales records. Seasonal staples are those products, which are in demand only at a particular time of the year, every year. For example, decorative diyas sold during Diwali in India, or decorative ornaments for Christmas, umbrellas and raincoats/rainy shoes in the rainy season.

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

example of a merchandiser who is working towards the assortment plan for the menswear department for a large retail store. He would start by determining the product line, which is under consideration. A product line is a broad category of products having similar characteristics and uses. Thus, in Menswear, product lines could be shirts, trousers, accessories, shoes, etc. He would then have to determine the breadth and depth to be offered under the said product line, the breadth referring to the number of brands carried within each product classification. The depth on the other hand, refers to the number of choices offered to the customers within each brand or product classification.

While a merchandiser always works towards creating an optimal merchandise mix, various factors would affect his/her decision. These would be the amount of money actually available for buying, the targets set by the management for merchandise turnover, the space actually available within the stores for stocking the merchandise and the market constraints. Working under these constraints, a buyer works towards creating an optimal merchandise plan.

Assortment Plan

After determining the money available for buying, a decision needs to be taken on what to buy and in what quantity to buy it. This results in the creation of a Model Stock Plan. The model stock plan gives the precise items and quantities that need to be purchased for each merchandise line.

To arrive at the model stock plan, the buyer needs to identify the attributes that the customer would consider while buying the product, then decide on the levels under each attribute and finally, allocate the total money available, or the units, to the respective item categories. The following example illustrates the steps involved in preparing a Model Stock

Plan

A retailer has allocated ₹ 10 lakhs to the buying of shirts. Assuming that the purchase price of each shirt is ₹ 100, he will be able to stock 10,000 shirts in the store.

Step 1: The first thing that the retailer needs to do is to identify which factors affect the customer's buying decision. Let us assume that he identifies them as type of shirt, color, size, style, fabric and sleeve length.

Step 2: Identify the number of levels under each attribute. In the given illustration, let us assume that he identifies the following levels.

1. Type of shirt (Dress, Casual Formal, Sport)
2. Size (Small, Medium, Large, Extra Large)
3. Sleeve Length (Full Sleeves, Short Sleeves)
4. Collar Type (Saville, Button Down)
5. Color (White, Blue, Cream, Grey)
6. Fabric (Cotton, Cotton Blend)

In this illustration, the basic attribute that the retailer identifies is the shirt type that MEN SHIRTS, CASUALS the customer would want to buy. Dress shirts account for 10 per cent of the sales, casual T-shirts 40 percent, formal 20 percent and sports 10 percent. The retailer first calculates the casual shirts that he needs to stock. He is aware that these shirts sell in the sizes—Small, Medium, Large and Extra large in the percentage of 25:40:25:10 respectively.

Full Sleeves account for 30 Percent of the medium size sales and the balance is a half sleeve. Button down is 40 percent of half sleeve sales and the balance is of Saville type. The fast selling color are white—10 percent of sales, blue 30 percent cream 20 percent Grey 10 percent, cotton Blends are 75 percent of the sales and the balance is cotton.

Step 3: The third step is to allocate the total units to the respective item categories. Thus, the units that are recommended for each item are in direct proportion to the estimated demand patterns.

If a retailer were to increase the number of attribute to be taken into consideration, the chances that the required product will match the customer's needs are increased.

Merchandise Buying

The basic role of a buyer is to find, evaluate and select merchandise for the retail store. In this process, he needs cultivate sources for which suitable merchandise can be secured for the retail organization. To do this effectively, he needs to answer the following questions:

- What to buy?
- When to buy?
- How much to buy?
- Where and from whom to buy?

The methods that a buyer can use to determine the quantities to be purchased have been covered in the previous chapter. This chapter focuses on the buying techniques, which can be used by a buyer to determine his sources of supply. An integral part of the buying decision is the decision to make or buy the product. The concept of the private label and how it is useful to retailers is discussed in detail. Category Management, which is an important part of retail in the developed markets, is discussed in the last section of this chapter. A buyer is a representative of his retail organization, and he plays a key role in developing relationships with the manufacturers and vendors. This process starts with the identification of the sources of supply. To start with, it is necessary to decide as to whether the merchandise is to be sourced from domestic or regional markets or from international markets. This is largely related to the type of the retail organization, the product being offered and the target consumer. For example, products like high fashion garments, exclusive watches, perfumes, cosmetics, etc., may be obtained from the international market.

Merchandise buying is a four – step process, which involves

1. Finding Supply Sources,
2. Identifying Potential Supplier,
3. Negotiating with the Supply Sources, and
4. Finalizing terms with the Supply Sources.

We now examine the four steps in detail.

1. Finding Supply Sources

Domestic sources of supply may be located by visiting central markets, trade shows or expositions may locate domestic sources of supply, usually, each city has its own central market, where a large number of key suppliers are located. A visit to such a location enables the buyer to understand the trends in the market and evaluate the new resources and merchandise offerings. Trade shows and expositions are also good for finding new sources of supply. In addition to buying from the domestic market, an organization may seek out foreign sources, from where merchandise can be purchased. This is a common trend in the west where trade barriers are considerably lower. As retailers today operate in a global marketplace, the sourcing of products from international markets is also a reality.

The prime reasons for looking at international sourcing could be the uniqueness of the merchandise, or the unavailability of the merchandise in the domestic market. Low cost and good quality is also a factor, which could affect this decision. On the other hand, a retailer may also source from a foreign market simply because the merchandise is unique and because certain customers are always looking for a unique product. A decision that is closely associated with the branding decisions is to determine where the merchandise is made. Although retailers buying manufacturer's brands usually aren't responsible for determining where the merchandise is made, a product's country of origin is often seen as a sign of quality.

Costs associated with Global sourcing Include

1. Country or Origin: Many a times, where the merchandise has been manufactured makes a high difference during the final sale of the product.
2. Foreign currency fluctuations: Fluctuations in the international currency rates will all affect the buying price of the product. At times, due to violent fluctuations in the price, sourcing products internationally may suddenly become viable or unlivable.
3. Tariffs: Also known as duties, they are taxes placed by a government, on imports. Import tariffs shield domestic manufacturers from

foreign competition and raise money for the government. GATT & MFA regulations affect such matters.

4. **Foreign Trade Zones:** These are special area within a country that can be used for warehousing, packaging, inspection, labeling, exhibition, assembly, fabrication, or trans-shipment of imports, without being subject to that country's tariffs.
5. **Cost of Carrying Inventory:** Purchase of goods is always at a price. When the merchandise is finally sold, it makes a very big difference on the carrying costs.
6. **Transportation costs:** While sourcing products internationally, it is essential to keep in mind the cost that will be involved in transporting the goods to the various markets that the retailer operates in. This is a cost which has to be added to the cost of goods and eventually, affects the margins that can be earned.

In order to source goods from the international market, the retailers may use the facilities of the Resident Buying Offices that it may have. For Example, a large number of international retailers have their buying office in India. The resident buying offices not only have an understanding of the local market, but once the orders are placed, the offices can make out the contracts, follow up on the delivery and on the quality control. Alternately, trade shows and wholesale market centers in various cities of the world provide a good opportunity for the buyers and seller to meet.

While sourcing merchandise from India, a buyer has to take into consideration, the taxes levied by the Central government, the state government and the municipal taxes. Sales tax is a tax on the sales of goods. The liability to pay sales tax arises on making a sale of goods. In India, the law for levying sales tax is provided for under the central sales tax act, 1966. Excise the central government and the Rate of tax levy duties is uniform for a product, across the country. The buyer also needs to take into consideration, the additions to the cost price that will come about due to octroi, which is levied in cities like Mumbai and Kolkata. That Municipal Corporation of Greater Mumbai levies octroi on the invoice value of goods entering the city limits. Before taking a decision on sourcing internationally, the buyer needs to check whether the product to be sourced falls under the Open General List (OGL), the Restricted List or the Negative List. In case the goods fall under the OGL, a special import

License (SIL) is required. Currently, there are 700 products, which are on the restricted list for imports and include, among other things, meat, dairy products, cheese, pulses, alcohol, various types of fabrics and garments and a large number of consumer durable. If the retailer wishes to import products which fall under the SIL, the Importer has to pay a premium and this again adds to the cost of the product and at times, largely increases the landed cost of the merchandise.

2. Identifying Potential Suppliers

A decision now needs to be taken on the potential vendors. The following criteria need to be kept in mind:

1. The target market for whom the merchandise is being purchased.
2. The image of the retail organization and the fit between the product and the image of the retail organization.
3. The merchandise and prices offered.
4. Terms and services offered by the vendor.
5. The vendor's reputation and reliability.

The prime factor, which affects these decisions, is, whether the merchandise offered by a vendor is compatible with the needs and wants of the customers. If the merchandise is not right, the vendor should not be considered. Vendors also fall under different levels of dependability, with respect to the way that they conduct their business. Factors like the ability to meet the delivery schedules, adherence to quality procedures and the terms offered, play an integral role during vendor selection. The services provided by a vendor may also be deciding factor.

These services include cooperative advertising, return or exchange privileges, participation in store promotions and the willingness to use the relevant technology. The retail buyer then needs to negotiate on the price, the delivery dates, the discounts, the shipping terms and the possibilities of returns. While negotiating with the vendors, it is necessary to keep in mind their history, their goals and constraints. At the same time, the buyer needs to be aware of the real deadlines and work towards fulfilling them. The following are the types of discounts that could be available to the buyer:

Trade Discounts These are reductions in the manufacturer's suggested retail price, granted to wholesalers or retailers.

Chain Discounts This is the traditional manner of discounting, where a number of different discounts are taken sequentially, from the suggested retail price (e.g: 50-10-5)

Quantity Discounts These can be cumulative and non-cumulative. Retailers earn quantity discounts by purchasing certain quantities over a specified period of time.

Seasonal Discount This is an additional discount; offered as an incentive to retailer to order merchandise in advance of the normal buying season.

Cash Discount It is the reduction in the invoice cost for paying the invoice, prior to the end of the discount period. Each retailer will have his own criteria for the selection of vendors. The starting point may be a vendor registration form, which provides the dateline address, the preferred mode of payment, the sales tax number, etc. Registration with the relevant tax authorities, e.g. for Sales Tax, is a basic criteria used by many retailers to eliminate suppliers.

3. Merit Rating the Supply Sources

Retailers have for long, been wary of sharing information with their suppliers. This hardly surprising – considering their traditionally competitive relationship, with both sides trying to get the best of every deal. However, times have changed, and many retail organizations work with their suppliers as a team to create a competitive advantage. Shared information is a vital component of this new approach, but only if the right information is shared with the right people, for the right reasons. But how do we define their “rights”? The right people are those individuals or organizations who can use the information you give them, to help you. To do this, the retailer needs to understand the importance of the trading relationship, to both the sides. If the retailer is a small customer of a big supplier, the latter may not be sufficiently interested in the retailer's business to bother using the information that he supplies, however, if the information can be shown to benefit the supplier tool he may use it to

help the retailer. An example of this is a retail group that received weekly deliveries from a confectionery company, but still found themselves out of stock at times. When details of their sales were given to the supplier, the latter was able to use its market knowledge to project sale far more accurately than the retail group could. The supplier benefited by now having to deliver at two – weekly intervals and the retailer benefited from lower stock holdings and less out of stock problems

However, not all suppliers will be capable of making good use of retail stock data and this must be borne in mind while managing the supplier portfolio. The right information is that information which right people can actually use, to give better service. As a simple example, take a new product being sold by a retail group with 100 outlets, the stock is delivered through a single national warehouse operated by the retailer and the retailer does not share information with the manufacturer who supplies products to it. After the initial delivery is received at the warehouse, some stock is immediately dispatched to the stores and selling commences.

At this stage, the manufacturer has no idea of how the sales are going. After a few weeks, the stores start sending in orders to replenish their stock. But still, the manufacturer has no idea as to what is happening. In fact, the manufacturer will only be able to estimate the sales when the retailer places another order to replenish the warehouse. If the retailer had shared the information on his sales and stock, with the manufacturer, the latter would then have had the opportunity to anticipate out – of stock situation and to plan future activities and minimize delays in new production runs. More significant than the sales figures, however, are the retailer's sales forecasts. Simply providing (historical) sales figures, may result in the manufacturer producing a forecast which differs markedly from the retailer's – and on which are based erroneous buying and production plans. It is far better for the retailer to provide the manufacturer with the forecasts, reflecting the planned future promotion plans, etc.

There are numerous options regarding the level of detail at which the information can be supplied. Very few manufacturers could make use of the daily sales of a store. Weekly sales might be the maximum detail required and many would prefer information just about a particular region or store group. So far, we have discussed the issue of information sent from the retailer to the supplier. But what about the other way round? An

important piece of information for a retailer is the launch of new products and updates. All too often, a retailer will place an order only to find, just after delivery, that a replacement product has been announced. This does not help ease the tension in future negotiations.

Another area where the supplier can offer useful data is on market share. The supplier is in a unique position to tell the retailer, what percentage of market share of specific products or product groups the various players hold. Toy manufacturer Mattel, for example, employs more toy specialists than Debenhams or House of Fraser and it can also spend more on researching their respective niches. They can consolidate various retailers' sales to check the trends. Their feedback can be especially valuable to retail buyers by showing them which areas are performing best and how strategies should be adjusted.

Thus, to maintain strategic partnership with vendors, the buyer needs to build on:

1. Mutual Trust,
2. Open Communication,
3. Common Goals, and
4. Credible Commitments,

4. Finalizing Terms with Supply Sources

In case a buyer is dealing with multiple vendors for a particular product category, he can draw conclusions on a vendor's performance by listing the following:

- The total orders placed on the vendor in a year
- The total returns to the vendors, the quality of the merchandise.
- The initial markup on the products.
- The markdown, if any,
- Participation of the vendor in various schemes and promotions.
- Transportation expenses, if borne by the retailer.
- Cash discounts offered by the vendor, and lastly,
- The sales performance of the merchandise.

A factual evaluation of the vendors helps the buyer in being unbiased and in taking the right decision for the retail organization. Respect and co-operation between the buyers and the vendors is necessary to build long-term relationships. In the fast changing world of retail, it is also necessary to share information with the vendors on a timely basis, so as to avoid stock outs or situations requiring heavy markdowns.

Summary

Malls can be defined as mercantile establishment consisting of a carefully landscaped complex of shops representing leading merchandisers; usually includes restaurants and a convenient parking area; a modern version of the traditional marketplace. Some of the general characteristics of malls are the presence of multiplex, the presence of well-defined parking system, the presence of appropriate landscaping, the presence of 'anchor shop, tenant mix in tune with the overall theme of mall. Mall management includes positioning, Zoning, promotions and marketing, facility management and Financing. Retailers have for long, been wary of sharing information with their suppliers. This hardly surprising – considering their traditionally competitive relationship, with both sides trying to get the best of every deal.

However, times have changed, and many retail organizations work with their suppliers as a team to create a competitive advantage. Shared information is a vital component of this new approach, but only if the right information is shared with the right people, for the right reasons. But how do we define their "rights"? The right people are those individuals or organizations who can use the information you give them, to help you. The supplier is in a unique position to tell the retailer, what percentage of market share of specific products or product groups the various players hold. Toy manufacturer Mattel, for example, employs more toy specialists than Debenhams or House of Fraser and it can also spend more on researching their respective niches. They can consolidate various retailers' sales to check the trends. Their feedback can be especially valuable to retail buyers by showing them which areas are performing best and how strategies should adjusted.

Self Assessment Questions

1. What are the responsibilities of a Store Manager?
2. Discuss Parking Space Problem in Retail Centers.
3. What is the store recording system?
4. Examine Store Accounting and Coding System
5. What is the importance of Material Handling in Stores?
6. Examine the nature of material handling in stores.
7. Examine the Importance of Mall Management
8. List out the factors influencing mall establishments.
9. How do manage malls?

CASE STUDY

Ineffective Mall Management

It was 2001 and the concept of malls in India was pretty new at that point of time. Ramnik Lal Joshi, a noted industrialist and CEO of RU Group went ahead with his decision to open a mall in Faridabad, a place close to the Indian capital and also well connected to some of the posh localities of Noida and Gurgaon. The mall was named The RU Orbit Mall. It was a four-storied mall with around three to four well-known exclusive stores like Weekender, Adidas, Provogue and Peter England. A super market was also to be found within the mall called K-Mart. The mall had a concoction of several retail formats dealing in several product categories. There was almost everything more everyone. The mall had a two-screen multiplex (Vasant Theatres) in the 2nd and 3rd floors while the food court was on the ground floor.

The apparel retailers along with other retail formats were mainly on the top floor. The mall had an elevator but no escalator as such. Due to the presence of just one elevator, it often resulted in huge commotion especially during start and end of movie shows. Parking was another problem for the visitors plus safety with their vehicles was also an issue.

Many retailers found that there were hardly any footfalls on a daily basis. Very few visitors even bothered to take a look at what was there on

the top floor. They either left from the ground floor itself or at most came to, the third floor for viewing a movie. The mall was located in a posh area and so its rental was quite high which had to be borne by the retailers present in the mall which further added to their woes.

The retailers were not happy. They were contemplating to leave the mall and set shop elsewhere but then a huge investment was already lost. Rainnik Lal Joshi himself was also not a happy man. He wanted to do something new; something that would fetch him great revenues but here he was facing a situation that was not just discouraging but threatening too. Ramnik Lal Joshi needed to rethink certain things and redo a lot.

Questions

1. What were the problem areas of The RU Orbit Mall?
2. Is a great location enough for a mall's well being or are there various other factors that need to be looked at? What are those factors?
3. In India, retailers at malls are often faced with the situation of escalating rentals and descending footfalls? Suggest ways to tackle this critical issue?

Source: Roy, K., (2010) Retail Management: Managing Retail Stores, Vrinda Publications, Delhi, pp. 375-376

CASE STUDY

Problems in Handling Complaints

Pioneer Electronics Store, one of the leading electronic stores in Hyderabad sells batteries, all shapes and sizes, all voltages and prices. One particular battery sells for ₹ 300 For a package of three. Mohit a salesperson at Pioneer electronic store sold a package of these batteries to a customer on Monday this week. He paid cash for them and left the store, headed for home. The next day, on Tuesday morning, the customer returned to the store, having battery packet in hand, and told Rohan (different salesperson as Mob it was on leave) that he had purchased these batteries the day before, and they are not working. Rohan tested the batteries and found the batteries really dead.

Customer started shouting 'you wasted my time', 'you are fraud', and so on. It put Rohan in trouble. He was dancing between horns of dilemma. In the last five years at Pioneer store, he never heard of such complaint. But he was quite because the batteries looked like new. How do we resolve such customer complaint? To begin with there is no way to determine that the batteries that the customer has in hand is indeed the batteries he bought last day. Since most batteries show no external sign of wear, for all practical purpose they may all have been the older set, the set that the new one replaced. Second, the nature of batteries is such that the customer may be accidentally drained them himself, and now wants to become smart and pass the responsibility to the store. In either case, the salesperson Rohan standing in front of the customer who claims he was sold defective batteries and now wants the situation resolved as soon as possible.

Questions

Suppose, you face the same complaint while working as same sort of sales store:

1. How would you examine the case from store's point of view and customer's point of view?
2. Suggest a solution that has win—win solution for both the parties concerned?

Source: Singh, H., (2011) "Retail Management: A Global Perspective Text and Cases", S.Chand New Delhi, p 732

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